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Laguna Honda Hospital Replacement Planning Committee

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May 11, 1999
1:00 p.m. – 3:00 p.m.

AGENDA

- | | | |
|------|---|-------------|
| I. | Welcome and Introductions | 1:00 – 1:05 |
| II. | Review and Approval of April 19, 1999 Minutes | 1:05 – 1:10 |
| III. | Update on Health Commission Presentation and Resolution | 1:10 – 1:25 |
| IV. | Board of Supervisors Consideration | 1:25 – 1:45 |
| | • Public Interest and Necessity | |
| | • Special Election and Bond | |
| V. | Community Outreach and Education | 1:45 – 3:00 |
| | • Next Steps | |
| | • Work Assignments | |
| VI. | Next Meeting Agenda -- June 8, 1999 | |

Distributed Materials

- Minutes from April 19, 1999 meeting
- San Francisco Health Commission Resolution Number 16-99
- Report on the Replacement of Laguna Honda Hospital submitted to San Francisco Board of Supervisors (May 5, 1999)
- Proposed Resolution, Ordinance and Legislative regarding Laguna Honda Replacement Bond
- Community Education and Outreach Issues
- Frequently Asked Questions and Answers (May 11, 1999 draft)
- Revised Meeting Schedule

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LAGUNA HONDA HOSPITAL REPLACEMENT PLANNING COMMITTEE

Minutes from April 19, 1999 Meeting

MEMBERS PRESENT: Joan Braconi, Dale Butler, Donna Calame, Adele Corvin, Jack Davis, Larry Funk, Tom Harlan, Willard Harris, Anne Hinton, David Ishida, Mitchell Katz, M.D. (Co-Chair), Susan Leal, Carolene Marks, Peter Mezey, Monique Moyer, Robert Neil, Mark Primeau, Louise Renne, J.D. (Chair), Maria Rivero, M.D., Anthony Wagner

Welcome and Introductions

Carolene Marks of the Commission on the Status of Women introduced herself. She is a new member of the Planning Committee. Louise Renne, Planning Committee Chair, indicated that she was pleased by the process thus far. While there are still a number of important decisions to make, she thanked the Committee and Sub-Committee members for all of their work and efforts to date. She also thanked the various architectural, engineering and financial consultants who gave pro bono assistance to this project.

Dr. Mitchell Katz, Planning Committee Co-Chair, summarized the planning process that is envisioned. The goal of today's agenda is to determine if there is consensus on a number of recommendations. This information will be reported to the Health Commission during the presentation tomorrow. If there is no consensus on a particular issue, then that will also be reported. The Health Commission presentation will discuss the planning process, history of Laguna Honda, and recommendations. The Health Commission has not been asked to take formal recommendations on the Laguna Honda planning proposal at tomorrow's meeting. This was primarily because the information to the Health Commission had to be prepared prior to the Finance Sub-Committee recommendations. The Health Commission will be asked to consider a full proposal and adopt the resolution at its May 4, 1999 meeting.

Next week, on April 28, 1999, the Laguna Honda Replacement proposal will be presented to the City's Capital Improvement Advisory Committee (CIAC). This committee approves all capital plans for the City. It is chaired by Matthew Hymel, the Mayor's Director of Finance. The CIAC also includes representation from the Department of Public Works, Board of Supervisors, and the Mayor's Office of Public Finance. If the CIAC approves the proposal, then it will be forwarded to the Board of Supervisors for consideration. Hearings on the proposal will be scheduled. If the Board of Supervisors supports the proposal (with or without modifications), then it will be placed on the November 1999 ballot for the voters' consideration. It is hoped that all members of the Planning Committee will work to gain the support necessary to pass this measure when it goes before the voters.

Finance Sub-Committee Recommendations

The Planning Committee had a presentation from Monique Moyer, Director of Public Finance, on the bond financing options for the Laguna Honda replacement. In addition,

a presentation was made by Steve Russo of Healthcare Financial Solutions on the pro-forma operating analysis.

There are two potential capital financing options – General Obligation Bond and Lease Revenue Bond. The general obligation bond is the least expensive method of financing the Laguna Honda Replacement because it requires no capitalized interest or the establishment of the reserve fund. General obligation funds are secured by property taxes. Lease revenue bonds are a more expensive method of financing, and they are legally not debt. Capitalized interests must be factored in, along with creating a reserve fund, as a result, issuing lease revenue bonds costs more than issuing general obligation bonds. The par amount of the general obligation bond would be \$429.7 million. For the lease revenue bond, it would be \$546.9 million. Both of these capital financing options contain \$10 million for assisted living. It was indicated that the reserve fund for the lease revenue bond is equivalent to the most debt service that the City would pay in any given year. The recommendation of the Finance Sub-Committee is that the City issue general obligation bond(s) and/or other evidences of indebtedness up to \$430 million for the Laguna Honda replacement.

The Finance Sub-Committee then applied the tobacco tax settlement to pay for portion of the debt service due. Total debt service (principal and interest) would total \$833.6 million. While San Francisco anticipates that it will receive \$585 million in tobacco settlement funds over the next 25 years, there is some uncertainty as to the total received. This is due to potential changes in census, reduction in tobacco sales and/or potential bankruptcy of tobacco companies. As a result, it was prudent to assume that only a portion of the tobacco receipts would be applied to this project. The scenarios include:

- 90% of tobacco receipts applied,
- 75% of tobacco receipts applied and
- 60% of tobacco receipts applied.

The tobacco receipts would be used to reduce the total amount of property tax that would be increased of for San Francisco taxpayers. The model is based on having the tobacco receipts pay for debt service in the early years during construction so that property taxes are only raised once the building is built and occupied, then the taxpayers will see a direct correlation between their property tax and the rebuilt facility. The tobacco receipts would pay for the interest in the years prior to the new hospital being occupied. The property tax would cover the shortfall between the debt service and the tobacco receipts applied. It was noted that the tax effect on a \$300,000 home (the value that is used by the Controller's Office in the voter pamphlet) would be a total of \$2,343 if 75% of the tobacco receipts are applied -- \$2,343 would be collected from the property tax owner over a 16-year period. If more tobacco receipts are applied, then those dollars are spread over more years resulting in less of a property tax increase taxpayer. Alternatively, if fewer tobacco receipts are applied, the amount born by taxpayers increases.

It was explained that if the voters approve this measure by two-thirds vote, once the bonds are paid off, property taxes will be reduced. The property tax is specific to the bonds that were issued for this project. It was noted that the City generally sells \$90 million of bonds each year and repays approximately \$45 million each year. The overall assessed value of San Francisco has increased. It was noted that the City would not sell all \$439 million in bonds all at once but would probably give three series of bond sales. As a result, the property tax builds up incrementally with the sale of the bonds (three separate series in 20-year increments).

It was asked how State and federal funds would impact the overall net-assessed value to taxpayers. It was explained that most of the funds would be reimbursements for debt service. It would mean that the City would first have to sell debt to get any recoupment from the State and/or federal government. By definition, these funds will be used to decrease debt service. If, by a chance, the funds are in a form of up-front cash, then this would simply reduce the level of funds that the City must borrow. Dr. Katz indicated that if we are successful in getting funds from HRSA, then that would be potentially an up-front cash payment that would reduce our overall par amount to the bond.

The State of California, however, will likely pay funds to help reduce debt service. It is indicated that it is unlikely that we will know the answer to whether or not we will have the State and federal funds by the time the voter pamphlet and ballot measure are provided to the voters. This is because the State and federal budgeting processes occur later than the required to date to get the ballot pamphlet to the public.

A question was asked whether or not it is possible to do the rebuilding of Laguna Honda without any impact on property taxes. It was commented that this would not be possible.

In looking at the spreadsheet which applied 75% of the tobacco tax receipts, it was asked whether or not it would be possible to spread the total \$2,343 over a 30-year period as opposed to the current 16-year period. This was proposed because it would reduce the property tax impact to around \$78 a year over that 30-year period as opposed to \$147 over a 16-year period. It was indicated that this may be possible. However, there is some appeal about not having the taxpayers pay anything until the facility is built. The Mayor's Office of Public Finance indicated that they would look into this issue further.

Steve Russo of Healthcare Financial Solutions reviewed the pro-forma operating analysis. It was indicated that a request from the Finance Sub-Committee had been made to exclude debt service from the analysis. It was noted that the pro-forma analysis does not include assisted living. This raised a concern with respect to including assisted living in the capital finance but not doing an analysis on the cost of operating the units once they are built.

There are several assumptions that underline the pro-forma analysis. The analysis is based on the program recommendations that were put forth. The two key assumptions

are: (1) that Medi-Cal reimbursement for Laguna Honda which is currently at \$214.90 per day will remain stable (no increases or decreases in rate) and (2) that expenditure costs will increase. With respect to expenses, the analysis assumes a 2% increase in salary wages and benefits, a 7% increase in pharmaceuticals, and a 2.9% increase in other operating expenses. The combination of these two assumptions will mean a higher general fund contribution to Laguna Honda. It was noted that if a 1% increase in the Medi-Cal rate were applied, it would generally be approximately \$45 million over the life of this analysis. It was stressed that the increase in City general funds would be required irrespective of whether or not a new hospital is built.

The pro-forma operating analysis was prepared to provide an evaluation of the revenues and expenses associated with hospital operations once a new facility is built. The analysis was based at historical financial information and on historical utilization patterns within the hospital. Additional interviews were conducted from representatives from the Community Health Networks, Finance Sub-Committee and senior management at Laguna Honda in order to determine the impact of the proposed bed configuration, on departmental staffing, operating revenues and expenses. The analysis indicates that in the fiscal year ending June 30, 2008, an additional \$9.2 million in general fund will be needed for Laguna Honda, and by fiscal year ending June 30, 2012, an additional \$18.2 million will be needed to support Laguna Honda.

The operating analysis is based on initial bed configurations of:

- 1,150 skilled nursing beds,
- 30 sub-acute beds,
- 10 acute beds and
- 10 rehabilitation beds.

It was noted that the State has explored several alternative reimbursement methodologies to pay for skilled nursing facility care. The proposed alternatives include a respective payment system, a negotiated rate formula and several hybrid methodologies. Any of these would significantly impact the level of revenues that Laguna Honda receives; probably, resulting in a lower rate. On the other hand, the California Hospital Association (CHA) is in a midst of a lawsuit challenging the State's current methodologies for hospital-based and freestanding skilled nursing facility care. If the CHA prevails, then there would be an increase in reimbursement to the facility.

It is also noted that the staffing pattern and mix of nursing staff will not change for the pro-forma analysis. There was a question raised as to whether this was appropriate given the fact that we are going from open wards to primarily one- and two-bed rooms which may require more staffing. It was indicated that large wards are not good for care planning and that the wards would be configured to ensure adequate observation of patients while they were in single and/or semi-private rooms.

Concern Community Perspective

Donna Calame, member of the Planning Committee, presented a document, entitled "Laguna Honda Hospital Planning Committee: A Concern Perspective," dated April 19,

1999. The perspective was given to provide a minority report for the record of the Planning Committee. This document reflected the thinking of individuals who are interested in having more resources committed to home and community-based services. Ms. Calame indicated that at this time, they are not proposing a different proposal than the recommendations which will be considered by the Planning Committee. A summary of their concerns is as follows:

- We all know that, with very rare exception, no one wants to be permanently placed in a nursing facility for care.
- The proposal before the Planning Committee will do little to change the fact that 70% of the Medi-Cal funding for long-term care is spent on nursing facility and that the proposal provides incentives to institutionalized people inappropriately.
- The current incentives to institutionalize people for care can be reduced when people perceive that they can obtain adequate support to stay in their homes and acted in their communities through other forms of support.

The perspective urges members of the Planning Committee not to conclude its work with replacing the 1200 beds nursing facility unless they join forces with others in the community who have been advocating for the extension of home and community-based services. There is the hope that a well-balanced, progressive long-term care system can be achieved and that this work will continue to be the purview of the Long Term Care Pilot Project Task Force. In response to this perspective, Louise Renne noted that it was her hope that the Planning Committee would continue to work together to look at the issues surrounding the replacement of Laguna Honda Hospital. It was also noted from other members of the Planning Committee that the need for skilled nursing beds will increase as reflected in the 1997 Hospital Council report.

It was noted that there will be a 6-year lead time to rebuild Laguna Honda before it is occupied. During that time, we have the opportunity to further develop resources and expand home and community-based services. There was also concern expressed about the operating cost of Laguna Honda as forecasted in the pro-forma operating analysis. The Planning Committee agreed to endorse a statement indicating its support for caring for elderly and disabled adults in the least restrictive setting environment. The Planning Committee agreed to adopt this statement after voting on the recommendation of the various sub-committees.

Voting on Recommendations

The Planning Committee agenda indicates that it will vote on major program, financial and technical build recommendations of the sub-committees. Below are the results of the voting of the Laguna Honda Hospital Replacement Planning Committee:

Recommendations Based on \$428.7 Million Project	Yes	No	Abstention
Rebuilding Laguna Honda Hospital	20	0	0
Rebuilding Laguna Honda on Forest Hill Site	20	0	0
Single Building in Clarendon Valley	20	0	0
Rebuilding 1200 Beds	19	0	1
Bed Mix of 20% Private and 80% Semi-Private Rooms Preferred (Seven 4-bed rooms) at \$27.3 million	20	0	0
ADHC, Senior Nutrition, Child Care, Aqua Therapy and Animal/Horticultural Therapy at \$14.3 million	19	0	1
Demolishing Clarendon Hall/Prepare for Assisted Living at \$6.8 million	18	1	1
Assisted Living on Laguna Honda campus at \$15 million City matching	19	0	1
Project Costs of \$428.7 million and Financing Method (General Obligation Bond(s) and/or other evidence of indebtedness	20	0	0

In addition to the voting, the Committee had discussion on some of the recommendations.

When the Planning Committee looked at voting on the program enhancements of Adult Day Health, Senior Nutrition and Animal/Horticultural Therapy, the development on a Child Care Center for employees and Aqua Therapy, it was asked whether the Program Sub-Committee had attempted to do a prioritization of these items based on cost, etc. It was indicated that Planning Committee members had copies of the April 14, 1999 Technical Build Sub-Committee minutes which provide the breakdown of the five components. This information was provided by Kaplan, McLaughlin and Diaz. It was also asked whether the Program Sub-Committee had been able to determine the census at other Adult Day Health Centers and Senior Nutrition Centers in the community. This question was asked to determine whether or not those providers could serve more individuals. There was a belief that other agencies given the opportunity and funding would be willing to provide this type of care. There was the concern that the figures for the enhancements are high. It was also indicated that the construction figures appear high because they have been inflated to the mid-point of construction and include the application of soft costs. It was noted that the enhancements are

designed to increase the square footage to allow Laguna Honda to serve more individuals in the community through these programs. It was noted that there are no senior sites in the community where Laguna Honda is located except for the hospital. There is the need to maintain community-based programs in that sector of the City.

It is also felt that if some individuals in the community are placed in Laguna Honda after being unable to reside in their homes and/or the community, then it would be important for them to have some familiarity with the campus. Having community-based programs for non-residents allow this to occur. It was also indicated that the Planning Committee had asked the Program Sub-Committee to ensure that the Adult Day Health program was sufficient enough to serve more individuals and to develop an Alzheimer's Adult Day program. The Program Sub-Committee was attempting to factor in the comments of the Planning Committee in its recommendations. It was asked that the Planning Committee be provided with the projected number of new individuals that will be served by the expansion of these programs.

With respect to assisted living, Louise Renne indicated that there had been significant discussions on this issue at the last Planning Committee meeting and also at the Joint Sub-Committee meeting. It was proposed that an additional \$5 million be added to the current \$10 million assisted living figure. The \$15 million in local funds would then provide a match for additional federal dollars and would allow the City and County to develop more assisted living units beyond the estimated 140 which are in the current report. The Committee then discussed this proposal.

A question was asked whether or not attempts had been made to determine if the overall construction costs could be lowered and have those funds re-allocated towards additional assisted living. It was commented that a similar process was done with City Hall. As a result the City Hall effort had insufficient funds and there was the need to go back to the voters a second time to allocate dollars for the rebuilding effort. It is everyone's intent to avoid a process such as that. There was a feeling that additional dollars could not be shaved from the process and that if there were, it would jeopardize the efficacy of the project.

While a concern was expressed with respect to the size of the bond, we are hoping that we will get unanimous commitment on efforts to pass this measure as it goes before the voters. As mentioned before, there can be language in the bond which would commit the City to building assisted living with these dollars. It was noted that the assisted living may be on the site of Laguna Honda and/or off the site of Laguna Honda given that there may be some concerns with respect to density if assisted living is built in more than one location on the Laguna Honda campus. The Planning Committee agreed to the inclusion of an additional \$5 million in City funding for assisted living to bring the total assisted living amount to \$15 million in the bond.

Commitment to Home and Community-Based Services

The Committee adopted the following statements: "Consistent with decisions approved of the Committee today, the Committee supports caring for elderly and disabled adults in the least restrictive home and community-based environment whenever possible. "

Next Meeting

The next meeting of the Planning Committee will be May 11, 1999 from 1pm – 3pm. The location of that meeting will follow. The Planning Committee will now meet monthly. The meeting of April 27, 1999 is cancelled.

HEALTH COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 16-99

**SUPPORTING REBUILDING LAGUNA HONDA HOSPITAL AND
PLACING A BOND MEASURE ON THE NOVEMBER 1999 BALLOT**

WHEREAS, Laguna Honda Hospital and Rehabilitation Facility provides skilled nursing care to 1,065 frail elderly and disabled adults and has traditionally served 1200 resident; and,

WHEREAS, Laguna Honda Hospital must be rebuilt to comply with federal licensing and reimbursement standards and to ensure that the facility meets seismic safety standards; and,

WHEREAS, the Health Care Financing Administration has required the Department to reduce census at Laguna Honda to enhance resident privacy, and if Laguna Honda is not rebuilt at federal standards, then the Health Care Financing Administration may seek further reductions in the Hospital's census or decertification of the facility; and,

WHEREAS, projections indicate that there will be increased demand for skilled nursing care in San Francisco by the year 2010 and beyond, which support the need to continue Laguna Honda Hospital as a vital component of the long-term care delivery system; and,

WHEREAS, the San Francisco Health Commission supported the creation of a Planning Committee to bring recommendations on how to rebuild Laguna Honda Hospital to the Health Commission, Board of Supervisors and the Mayor; and,

WHEREAS, the Laguna Honda Hospital Replacement Planning Committee was formed to make programmatic, technical and financial recommendations on the rebuilding of the Hospital and the use of the Campus, and,

WHEREAS, the Laguna Honda Hospital Replacement Planning Committee and its sub-committees were diverse and represented the perspective of consumers, providers, advocates, community-based organizations, labor, business and other interested parties; and,

WHEREAS, the Laguna Honda Hospital Replacement Planning Committee adopted the following recommendations: (1) rebuild Laguna Honda Hospital, (2) rebuild Laguna Honda on the existing Forest Hill site, (3) build a single skilled nursing building in Clarendon Valley, (4) place 1,200 skilled nursing facility beds in the new facility, (5) have a bed mix of 20% private and 80% semi-private rooms [this includes seven 4-bed rooms], (6) expand the existing Adult Day Health Center, senior nutrition, and animal/horticultural therapy program, and develop a child care center for employees, and aqua therapy for residents, (7) demolish Clarendon Hall and prepare the site for assisted living, and (8) place at least 140 assisted living units on the former site of Clarendon Hall; and,

HEALTH COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 16-99 (Cont'd.)

WHEREAS, assisted living is being proposed on the Laguna Honda Campus to ensure that the Campus has a range of housing opportunities, and to address a deficit in the number of assisted living/supportive housing opportunities for the elderly and disabled in the City and County; and,

WHEREAS, the project cost of replacing Laguna Honda Hospital and providing a \$15 million commitment for assisted living is \$437,045,000. which includes financing costs; and,

WHEREAS, the recommendation of the Laguna Honda Hospital Replacement Planning Committee is that general obligation bond(s) and/or other evidence of indebtedness be used to finance this project; and,

WHEREAS, while the source or repayment for general obligation bonds is ad valorem property taxes, the Departmental also believes that other sources of funds can be used to pay a portion of the rebuilding costs; and,

WHEREAS, San Francisco expects to receive an estimated \$585 million in tobacco settlement funds over the next 25 years; and,

WHEREAS, the Laguna Honda Hospital Replacement Planning Committee recommends using tobacco settlement funds for the replacement of Laguna Honda because it is consistent with using these funds for health-related purposes; and,

WHEREAS, tobacco settlement receipts are recommended for debt service on construction, equipment and other related financing costs as the first and primary source to pay off capital costs of the project; and,

WHEREAS, the Department is working with its legislative delegations to determine whether State and/or federal funds are available to pay for a portion of the replacement costs, and if funding is received, then it would be applied to reduce the debt service on the bonds; and,

WHEREAS, the pro forma operating analysis indicates that the City and County General Fund subsidy for Laguna Honda will increase by \$9.1 million in the new hospital's first full year of operation, and by \$18 million by the fourth year of operation, based on the assumption that Medi-Cal reimbursement would remain stable and expenditures would increase; and,

WHEREAS, increased General Fund contribution would be required for Laguna Honda whether or not the Hospital is rebuilt given Medi-Cal reimbursement trends; and,

WHEREAS, the replacement of Laguna Honda Hospital is not in conflict with the goal of caring for individuals in the community, whenever it is appropriate to do so, because the Hospital is designed for elderly and disabled adults who cannot be cared for in either their homes and/or community-based settings; now, therefore, be it

HEALTH COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 16-99 (Cont'd.)

RESOLVED, that the San Francisco Health Commission supports the need to continue providing skilled nursing facility care to ensure that elderly and disabled adults, who cannot be cared for in the community, have access to vital rehabilitative and restorative services; and be it

FURTHER RESOLVED, that the San Francisco Health Commission supports the proposal of the Laguna Honda Hospital Replacement Planning Committee to build a 1,200 skilled nursing bed facility and at least 140 assisted living units on the existing Forest Hills site of Laguna Honda at a project cost of \$437,045,000; and, be it

FURTHER RESOLVED, that the San Francisco Health Commission supports the use of San Francisco's entire tobacco settlement funds to cover a portion of the debt service related to the replacement of Laguna Honda; and, be it

FURTHER RESOLVED, that the San Francisco Health Commission requests that the Department use its best efforts to secure the maximum reimbursement allowable from payers for the services of a distinct part skilled nursing facility; and, be it

FURTHER RESOLVED, that the San Francisco Health Commission encourages continued planning on the Citywide effort to expand the array of home and community-based services for elderly and disabled adults; and, be it

FURTHER RESOLVED, that the San Francisco Health Commission requests the Department of Public Health continue to evaluate the state-of-the-art of long-term care, (including a variety of options to care for the disabled and elderly in the community), propose well-balanced, integrated services for the coming decade and present regular updates on the progress of these efforts; and, be it

FURTHER RESOLVED, that the San Francisco Health Commission recommends to the Board of Supervisors and the Mayor to proceed with the placing of a general obligation bond(s) and/or other evidences of indebtedness on the November 1999 ballot.

I hereby certify that the foregoing resolution was adopted by the San Francisco Health Commission at its meeting of Tuesday, May 4, 1999.


Sandy Ouyé Mori

Executive Secretary to
the Health Commission

*REPORT ON THE PLACEMENT OF
LAGUNA HONDA HOSPITAL*

Presented to
San Francisco Board of Supervisors

Submitted by the
San Francisco Department of Public Health
May 5, 1999

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I. INTRODUCTION

Laguna Honda Hospital and Rehabilitation Center is a unique long-term care facility. Laguna Honda provides skilled nursing care, hospice, rehabilitation, acute medical, senior nutrition and adult day health services. It is one of the largest of its kind in the United States -- traditionally providing care to 1200 and currently serving 1,065 residents. It cares for frail elderly and younger residents with nerve diseases, such as multiple sclerosis, head injured patients and those suffering from AIDS. Depending on their specific needs, Laguna Honda residents may stay for a few months or many years. The campus has two buildings -- a main hospital and Clarendon Hall. Laguna Honda is owned and operated by the City and County.

Laguna Honda is part of the City and County's long-term care continuum of services. Long-term care services are provided over an extended period of time to people who are limited in their ability to live independently because of physical, mental or cognitive impairment. Long-term care can be home and community-based services like home health, and institutional services like nursing home care (such as Laguna Honda).

The City and County must replace Laguna Honda Hospital to meet federal skilled nursing standards, as well as, seismic safety standards. The San Francisco Health Commission supported the creation of a planning committee to bring recommendations on how to rebuild Laguna Honda Hospital to the Health Commission, Board of Supervisors and the Mayor. As a result, the Laguna Honda Hospital Replacement Planning Committee was formed. The Committee is chaired by Louise Renne, Esq., City Attorney and co-chaired by Mitchell Katz, M.D., Director of Health.

Membership on the Planning Committee is diverse, representing the perspectives of consumers, providers, advocates, community-based organizations, labor, business and others. The Committee developed three sub-committees to help it formulate recommendations:

- Program Sub-Committee: make recommendations on the appropriate array of programs and services for the Hospital and on the campus of Laguna Honda,
- Technical Build Sub-Committee: assess technical aspects of any building option and
- Finance Sub-Committee: examine the costs and financing issues related to rebuilding the campus.

Attachment A (page 45) provides a listing of the Planning Committee and Sub-Committee membership. The Planning Committee reported its recommendations to the San Francisco Health Commission in April 1999.

The San Francisco Health Commission adopted a resolution supporting the replacement of Laguna Honda Hospital on May 4, 1999. Attachment B (page 49) is a copy of the resolution. The proposed replacement project of Laguna Honda Hospital was approved by the City and County's Capital Improvement Advisory Committee at its April 28, 1999 meeting.

II. NEED FOR REPLACEMENT

A. Complying with State and Federal Licensing Requirements

In 1997, the U.S. Department of Justice (DOJ) initiated an investigation of Laguna Honda Hospital and Rehabilitation Center pursuant to the Civil Rights of Institutionalized Persons Act. The Hospital was selected from among many different publicly-owned institutions, such as mental health hospitals, jails, prisons and nursing homes that the DOJ investigates throughout the year.

As a result of this investigation, in May 1998, the DOJ issued findings indicating its belief that the quality of life and level of activities needed to be improved for Laguna Honda residents. The DOJ acknowledged that the medical care provided at the Hospital was "very good." The DOJ's concern was that Laguna Honda needed to focus on ways to enhance the safety, comfort and activity levels of its residents. "Quality of life" issues raised by the DOJ are tied to the current open ward configuration at the Hospital. The DOJ contends that 30 bed open wards do not afford a resident sufficient privacy, dining and activity space. The Department of Public Health has been working cooperatively with the DOJ and has submitted comprehensive responses to their findings. The materials are currently being reviewed by that agency.

On behalf of the Health Care Financing Administration, the State Department of Health Services does an annual, unannounced survey on Laguna Honda Hospital for licensing and accreditation purposes. In large part, the 1998 survey report focused on the inadequacy of the Hospital's physical structure, particularly the open wards, and the lack of dining room spaces and activity rooms. State and federal regulatory agencies indicated that these issues needed to be addressed in order to maintain Laguna Honda's contract as a Medi-Cal provider and to receive Medi-Cal reimbursement. The Department of Public Health worked cooperatively with the State Department of Health Services and the Health Care Financing Administration (HCFA) to submit a plan of correction. In June 1998, HCFA accepted the Hospital's plan of correction. The Plan of Correction will:

- reduce census to increase privacy and permit storage space
- create permanent dining areas and
- enhance activity therapy.

By January 1999, all open wards were decreased from 30 persons to a census of 26 persons. This reduction was accomplished by: (1) instituting a moratorium on new admissions, except those coming from San Francisco General Hospital who have no suitable alternative place, and (2) relocating existing doctor and nurse offices to increase the number of semi-private rooms for residents. As a result, the census at Laguna Honda Hospital was reduced from 1,166 to 1,065.

In April 1999, the Department of Justice did another site review of the facility to continue monitoring conditions at the Hospital. However, the census reduction has had negative impacts. As a result of the moratorium, acute care hospitals, are unable to place individuals needing skilled nursing care at Laguna Honda. When they are unable to

place an individual at Laguna Honda, that person remains in the acute care hospital. The lack of a sufficient number of skilled nursing beds congests acute care beds throughout San Francisco resulting in appropriate utilization of acute care services and higher healthcare costs than necessary.

HCFA's approval of the Hospital's Plan of Correction still does not fully address the overriding concerns of HCFA, the Department of Justice or the State Department of Health Services -- all of whom are unanimous in their opinion that open wards are not legally compliant, obsolete and inappropriate patient care settings. Under this Plan of Correction, the City and County of San Francisco is still receiving a waiver to operate Laguna Honda Hospital since HCFA rules require that there be no more than four (4) residents per room.

B. Supply and Demand of Skilled Nursing Facility Beds

The need for skilled nursing beds will increase as the number of persons over the age of 65 and those potentially needing long-term care grow. In 1997, the San Francisco Nursing Facility Bed Study found a projected deficit in the number of skilled nursing facility beds. The Nursing Facility Bed Study was based on Laguna Honda maintaining its 1997 capacity of 1,214. The study found the following:

TABLE 1
Supply and Demand for Skilled Nursing Facility Beds – San Francisco

	Year 2000	Year 2010	Year 2020
SNF Bed Rate per 1,000 persons 65 years of age and older	33	33	33
Projected Demand for SNF Beds	3,831	4,282	6,005
Projected Supply of SNF Beds	3,625	3,625	3,625
Surplus/Deficit of SNF Beds	-206	-657	-2,380

Table I assumes that San Francisco's use of skilled nursing facility beds remains the same at 33 beds per 1,000 persons 65 years of age and older. However, even if the City and County is successful at decreasing the use of skilled nursing facility beds, by increasing community alternatives, we will still have a significant deficit of skilled nursing facility beds as shown in Table 2 on the next page. The projected supply for Laguna Honda has been adjusted to 1,065 to reflect the current census of the Hospital under the moratorium on admissions. As a result, the overall projected supply of skilled nursing beds decreases from 3,625 to 3,476.

TABLE 2
Projected Supply and Demand for SNF Beds
(Based on Oregon's Experience)

	Year 2000	Year 2010	Year 2020
SNF Bed Rate per 1,000 persons 65 years of age and older	33 SNF beds per 1,000	30 SNF beds per 1,000	27 SNF beds per 1,000
Projected Demand for SNF Beds	3,831	3,894	4,913
Projected Supply	3,476	3,476	3,476
Shortage of Beds	-355	-418	-1,437

If San Francisco chooses not to maintain Laguna Honda Hospital or to rebuild the Hospital with less than its traditional 1200 beds, then the shortage of beds increases. Under such circumstances the City and County is meeting fewer and fewer of the nursing facility needs of elderly and disabled adults.

C. Access to Private Long-Term Care Nursing Facility Beds

The Department of Public Health has studied several scenarios for replacing all or a portion of Laguna Honda Hospital beds with beds in the private sector. However, these options do not appear to be viable.

First, the supply of beds in the private sector is limited. In 1997 when the Nursing Facility Bed Study was done, a projected 271 beds were identified by acute care hospitals as potentially convertible to skilled nursing beds. However, since that time, many acute care hospitals are close to capacity and have used existing space for research and/or physician office space. These hospitals have experienced increased census and, as a result, are reluctant to convert acute care beds to skilled nursing beds. It is important to note that even if the 271 conversion were included in the above table, there would still be a deficit of skilled nursing beds.

Second, although acute care beds are at a higher standard than skilled nursing beds, construction costs are needed to transform an acute care ward into a skilled care nursing ward. The reason is that there are specific requirements for skilled nursing beds that don't exist for acute care wards (e.g., separate dining rooms). When San Francisco General Hospital converted an acute care ward to a skilled nursing ward the cost of the construction was \$400,000 for a single ward. Most non-profit hospitals are reluctant to invest in renovating acute care wards to meet skilled nursing requirements because skilled nursing beds receive markedly less reimbursement than acute care beds. While Medi-Cal pays a maximum of \$214.90 a day for distinct part skilled nursing needs, acute care hospitals often earn between \$1,200 and \$1,500 a day for acute care patients.

Third, hospitals in San Francisco are currently planning to bring their facilities into compliance with more stringent State seismic codes (under Senate Bill 1953). This makes them reluctant to pursue changes in the use of their buildings until they have determined how they are going to be in compliance with these codes. Fourth, the reimbursement rate for skilled nursing care is insufficient to meet the cost of providing

this care. This is the reason that acute care hospitals have kept wards vacant rather than turn them into skilled nursing wards.

The Department has also pursued the placement of existing residents at Laguna Honda Hospital in residential care facilities. We believe that this is a viable option for some residents. The problem is that there is an acute shortage of medical Board and Care Homes, psychiatric Board and Care Homes, homes for adult mentally retarded persons, residential care facilities for the blind and disabled and other assisted living arrangements. However, as discussed in the section on San Francisco's demographic trend for long-term care, even if we are successful in building community alternatives to Laguna Honda Hospital (as we should) the absolute needs for long-term care will over shadow our efforts to decrease the proportion of residents in institutional settings. There remains now, and in the future, a large group of patients, who because of their complex needs, can only be cared for in a 24-hour skilled nursing facility.

D. County Provision of Long-Term Care Nursing Facility Beds

Laguna Honda is not the sole provider of skilled nursing care in the community as Table 3 indicates. There are currently 3,476 nursing facility beds in the San Francisco. Laguna Honda accounts for approximately 31% of all nursing facility beds and supplements a serve that is not met by the private and non-profit providers. Nursing facility beds are provided by the following:

TABLE 3
Skilled Nursing Beds – San Francisco

Facility	No. of Beds
Freestanding Nursing Facilities (19 facilities not associated w/ a hospital)	1,404
Laguna Honda Hospital	1,065
Hospital-based Nursing Facilities (8 of San Francisco's acute care hospitals operate distinct part nursing facilities)	450
The Jewish Home for the Aged	437
Veterans Administration Nursing Home	120
All Facilities	3,476

The issues surrounding the City and County's direct provision of skilled nursing care are similar to its role as a safety net provider. Safety net providers are those that provide a significant amount of care to low-income and indigent patients.

The safety net is in place because by mission and law -- California counties serve as the health care provider of last resort. They serve in this role because the private and non-profit sectors are either unwilling and/or unable to provide the level of care needed for the population. As such, the County is responsible for vulnerable populations with a variety of complicated health and social needs which require a wide range of integrated support services. Counties either provide the services or pay for services in the private or non-profit sector. The Department provides services directly and contracts with

community providers. Most counties with public hospitals have chosen to remain in the business because it is less costly to contract with the private sector where over the long run they may not have as much leverage.

This can be applied to nursing facility care in which counties may provide skilled nursing care directly, contract with other providers in the community or not provide the service at all and rely entirely on private and non-profit entities to deliver this care. It should be noted that the Laguna Honda Hospital Replacement Planning Committee's first vote was to determine whether the Hospital should be rebuilt before voting on the nature of the replacement. The Committee voted unanimously to replace the facility. This vote affirmed the City and County's role as a direct provider of skilled nursing care.

A fundamental role of government (at all levels) is to intervene when the market place does not provide a service and/or supplement what the private and non-profit sectors are providing to appropriately meet the needs of the community. In the case of skilled nursing care, Medi-Cal is the primary payer of this care. As you are aware, Medi-Cal is a federal program which is administered by the State and funded by the federal and state governments. Nursing facility care is an arena in which the federal and state governments have made a financial commitment to provide the elderly and disabled adults have access to 24-hour care. The government has intervened to ensure that financial barriers do not impeded access to nursing facility care.

While Medi-Cal pays for nursing facility care, it is not required to pay for the total costs of providing the service. As a result, some providers have chosen not to care for persons receiving Medi-Cal and many entities have chosen not to develop skilled nursing facility beds because of the low reimbursement. This is primarily because the costs of constructing nursing facility beds coupled with the relatively low reimbursement can make it a less financially viable area for health care entities to succeed in. This is particularly true in California where market competition in health care has created financial pressures which limit the ability of hospitals, providers and clinics to provide care for the uninsured and for patients with limited public reimbursement.

In addition, Medi-Cal reimburses nursing facility providers differently based on the facilities' designation. Most nursing facility providers are reimbursed as freestanding facilities and receive approximately \$90 per day. The populations cared for at freestanding long-term care facilities are not comparable to the populations cared for at distinct part skilled nursing facility such as Laguna Honda. Laguna Honda cares for a more acutely ill population, a less mobile population and a population which has more concomitant behavioral health issues than are cared for in a free standing facilities. Because residents at Laguna Honda Hospital are much sicker than patients in freestanding facilities, they are not accepted into privately operated nursing facilities. As a result, Laguna Honda Hospital must be rebuilt in order to meet the need of SNF care which the private and non-profit sectors are unable and/or unwilling to provide.

The fact that some providers choose not to serve the elderly and disabled population or to provide skilled nursing facility care does not change the fact that many residents

need these services. In addition, decreases in nursing home beds cause hospital backlogs and other problems and does not address the demographic trends that are projected for skilled nursing care.

Information on the provision of nursing facility care by government entities was gathered. However, it is important to note that no county has a comparable skilled nursing facility to Laguna Honda Hospital. This is partially due to the fact that Laguna Honda Hospital was constructed as an open-ward, skilled nursing facility before many other facilities were built. Clarendon Hall was constructed in 1909 and building for the resident wards of the main Hospital started in the late 1920s. In addition, while Laguna Honda Hospital a distinct part skilled nursing facility it is licensed as an acute care hospital and acute care hospitals are generally much larger (i.e., have more beds) than skilled nursing facilities licensed as long-term care facilities.

In addition to Laguna Honda, there are 16 other facilities in the State that provide skilled nursing care which are operated by a governmental entity. Table 4 on the next page provides the listing.

TABLE 4
Government Owned and Operated Nursing Facilities -- California

County	Name	Licensure Type	Ownership Type	Licensed Beds (No.)
Alameda	Alameda Cty Medical Center-Fairmont Campus	Acute Hospital	County	154
Alameda	Redwood Convalescent Hospital	Long-Term Care Facility	State	70
Fresno	Kingsburg Medical Center	Acute Hospital	Hospital District	20
Inyo	Southern Inyo Hospital	Acute Hospital	Hospital District	33
Kern	Emmanuel Convalescent-Parkview	Long-Term Care Facility	State	184
Kern	West Side District Hospital and Nursing Home	Acute Hospital	Hospital District	63
Los Angeles	Avalon Municipal Hospital	Acute Hospital	City	4
Madera	Chowchilla District Memorial Hospital	Acute Hospital	Hospital District	19
Madera	Paris-Lamb Health Center	Long-Term Care Facility	State	39
Napa	N M Holderman Memorial Hospital (Veteran's Home)	Acute Hospital	State	1,088
San Bernardino	Veterans Home of California-Barstow	Long-Term Care Facility	State	180
San Diego	Edgemoor Geriatric Hospital	Long-Term Care Facility	City/County	322
San Francisco	Laguna Honda Hospital & Rehabilitation Center	Acute Hospital	City/County	1,214
San Mateo	Crystal Springs Rehabilitation Center	Acute Hospital	County	124
Shasta	Mayer Memorial Hospital	Acute Hospital	Hospital District	99
Sierra	Sierra Valley District Hospital	Acute Hospital	Hospital District	34
Tehama	Tehama County Health Center	Long-Term Care Facility	City/County	67

The only other facility with a similar number of beds to San Francisco is the State facility in Yountville, California -- N M Holderman Memorial Hospital (Veteran's Home) with 1,088 licensed beds. In addition to the facilities noted above, Los Angeles County also has two other hospitals (Los Ranchos Amigos and High Desert) that also provide skilled nursing care but are licensed as acute rehabilitation centers. High Desert has 40 skilled nursing beds and Los Ranchos Amigos has 72 skilled nursing beds.

Attachment C (page 52) provides information on the number of nursing facility beds (both freestanding and hospital) by county. The information indicates that state-wide on average there is 1 nursing facility bed for every 317 residents (this ratio is based on the number of beds that are used by the facility). San Francisco's ratio is 1:241, including

Laguna Honda. If the City and County elected not to provide skilled nursing care or contract with other providers to do so, then San Francisco's ratio would increase to 1:395. This would place San Francisco with fewer nursing facility beds per resident than the state-wide average even though it has more elderly persons as a percentage of its population. The State Department of Finance estimates are that for the year 2000 10.7% of the State's total population will be aged 65 and older and that for San Francisco this percentage will be 15%.

In summary, the City and County of San Francisco must maintain its skilled nursing facility care to:

- reduce the deficit in nursing facility beds and meet more demand for this service and
- provide a level of service that private and non-profit providers are unwilling and/or unable to provide for the resident population that uses Laguna Honda.

III. BACKGROUND ON LAGUNA HONDA HOSPITAL AND REHABILITATION CENTER

A. Laguna Honda Resident Population

San Francisco residents are placed in Laguna Honda when they are no longer capable of living independently in the community with support services. Laguna Honda residents require extensive assistance with activities of daily living (i.e., eating, bathing, relieving oneself, dressing, moving from one place to another, etc.). This is particularly true for frail elderly persons who are more likely to suffer from arthritis, which affects their mobility and stability. Approximately 70% of the residents are wheelchair bound.

The average age of a Laguna Honda resident is 72 years old. The average length of stay for individuals residing in Laguna Honda for less than one year is 75 days; for those remaining in the facility over one year the average length of stay is 5 years. For many residents, Laguna Honda will be their last home – approximately one-third of the population dies each year. At this time, it is estimated that one-third of Laguna Honda's residents reside in the facility for less than one year and that two-thirds reside in the facility for more than one year.

Demographic features of the resident population are as follows:

- Gender: 56% are women, 44% are men
- Age: average age of 72 with 12% being under 50 years old, 36% between the ages of 50 and 74, 52% aged 75 and over
- Marital Status: 43% are single, 15% are married, 27% are widowed, 13% are divorced, 1% are separated
- Racial/Ethnic Composition: 43% are European-Amer., 24% are African-Amer., 20% are Asian/Pacific Islander, 10% are Latino, 0.4% are Native-Amer., 2% Other/Unknown
- Financial Status: 97% are on Medi-Cal, 2% are on Medicare, 1% are private pay

Over the past decade, the resident population at Laguna Honda has changed. First, the resident population is progressively becoming more acute. As a result, more residents require sub-acute care and or more extensive medical care in addition to assistance with activities of daily living. Second, an increasing number of residents have substance abuse problems and need treatment services.

All Laguna Honda residents have functional impairments which prevent them from performing basic activities of daily living by themselves. The U.S. Bureau of Census found that the prevalence of functional impairment rises with age – from 9.2% of the population aged 65 – 69 to 49.5% of the population aged 85 and older. This is in contrast to 2.4% of the population between the ages of 15 and 64 who meet the criteria for functional impairment. As noted above, 52% of Laguna Honda's residents are aged 75 and older (with 27% being 85 years of age and older).

The following tables in this section provide functional impairment, mobility status and special care statistics for Laguna Honda residents. The information is taken from

annual reports submitted by the Hospital to the federal government (Health Care Financing Administration OSCAR 4 [HCFA 672] Report). This information was taken from the 1998 report which used 1997 data (the most recent available). Table 5 on the next page provides information on the functional impairment of Laguna Honda residents.

TABLE 5
Functional Impairment of Laguna Honda Resident Population

Functional Limitation	% of Residents Needing Assistance	% of Residents Totally Dependent
Bathing	29%	68%
Transferring from bed or chair	26%	50%
Dressing	33%	57%
Using toilet	22%	58%
Eating	28%	32%

Many Laguna Honda residents have difficulty walking and getting outside. These residents require extensive assistance in this area. Table 6 provides information on mobility status of Laguna Honda residents.

TABLE 6
Mobility Status of Laguna Honda Residents

Mobility Status	% of Residents	% Laguna Honda is Above/Below National Statistics
Bedfast all or most of the time	1%	-6%
In chair all or most of the time	61%	10%
Independently ambulatory	17%	-3%
Ambulate with assistance/devices	15%	-17%
Have contractures	34%	9%

In addition to functional impairment, many Laguna Honda residents have chronic medical conditions which are associated with age and disability. As a result, Laguna Honda residents required ongoing medical management and care. A significant number of the residents have: (1) diseases of the circulatory system, (2) diseases of the nervous systems and sense organs, (3) endocrine, nutritional and metabolic diseases and immunity disorders, (4) diseases of the musculoskeletal system and connective tissue and (5) other symptoms and conditions. As a result of the chronic medical conditions and the elderly nature of the population, a sizeable percentage of Laguna Honda residents receive special care as noted in Table 7 on the next page.

TABLE 7
Special Care Provided to Laguna Honda Residents

Special Care Categories	% of Residents	% Laguna Honda is Above/Below National Statistics
Receive Hospice Care	3%	2%
Receive Respiratory Treatment	5%	-1%
Receive Injections	8%	-2%
Receive Tube Feedings	12%	5%
Receive Mechanically-altered Diets	44%	7%
Receive Specialized Rehabilitative Svcs.	4%	-11%
SK/Rehabilitation Services – Last 7 Days	44%	11%

A significant portion of Laguna Honda's resident population have either behavioral or psychiatric diagnoses which compound their medical ailment.

As the data shows, the Laguna Honda resident population needs extensive help with activities of daily living, is less mobile and have special care needs based on chronic physical and mental health problems. This information will affect the types of programs and services which are offered on the campus. A high level of staff support is being provided on the Laguna Honda campus to allow residents to function on a daily basis. Any rebuilt facility must have the appropriate staff levels to care for the future resident population. It is envisioned that this will continue as San Francisco's elderly population grows and as the demand for institutional-based long-term care continues.

B. Laguna Honda Campus – Land Use Issues

In order to determine what is physically possible with respect to rebuilding Laguna Honda, the Technical Build Sub-Committee provided background information on the land use issues surrounding the campus. The issues on Laguna Honda's campus cover vegetation, topography, land use and zoning, site utilities and geography, and historic designation.

Laguna Honda sits on 62 acres of land in the center of the City. The site is composed of wooded areas, lawns and ground cover. The current zoning for the land is that 50% is designated as open space and the remaining 50% is designated as buildable public space. The abundance of open space lends a pastoral feeling to the campus and neighborhood. In addition, the eucalyptus trees on the site act an important buffer between the Campus and the surrounding neighborhood.

The Campus has a rolling topography with surface elevation variations of approximately 230 ft. and slope gradients range from 15% to 60%. The lowest point of the site is an elevation of 390 and the highest point of the site is at an elevation of 620. As a result of the topography (rolling and steep hills, and changing elevation) significant portions of the land are not suitable for building.

In addition to the zoning designations, the City Planning Code also requires that any area occupied by Laguna Honda buildings be no higher than 80 feet. The neighborhood surrounding the campus has a 40 foot height limit. This restriction limits the number of stories that any rebuilt Laguna Honda can have. The height limit was placed to ensure that any buildings on the campus are not monolithic.

With respect to geology, the Laguna Honda site is typical of the western areas of San Francisco with sandy soil underlaid by clay, sand and shale. There are three major active faults that affect the building on the site. Laguna Honda is very accessible by public transportation. The Twin Peaks Tunnel used by the San Francisco Municipal Railways System runs under the site. There is Muni station directly in front of the campus and a Muni bus stops at the front door of the hospital.

The campus is currently zoned for the use of hospital care. Any additional uses of the Laguna Honda campus would require obtaining a conditional use permit. This permit would be required if the campus were to house such features as: parking garage, social services, child care, commercial usage, school, church, community center, non-publicly-owned recreational center, etc.

Parts of Laguna Honda are designated as historic properties. The designation was made in 1992 by the Federal Emergency Management Agency and is identified in the California Historic Properties Directory. The designation applies to the color-coded structures in the first few wings of the hospital. The designation occurred when the City and County applied for and received funds from FEMA to pay for damages resulting from the 1989 Loma Prieta earthquake. As a result, the State Office of Historic Preservation must be consulted as part of the process to rebuild Laguna Honda.

With respect to land use issues, historic designation and transportation may be major concerns in replacing Laguna Honda. This effort must comply with the historic designation requirements and we must address neighborhood concerns regarding any potential increased transportation around the campus.

IV. INTEGRATING LONG-TERM CARE SERVICES IN SAN FRANCISCO

In response to the growing need for long-term care services, the City and County has undertaken a planning effort to integrate and improve the delivery system for long-term care services.

In November 1996, the San Francisco Board of Supervisors established the Long-Term Care Pilot Project Task Force. This Task Force consists of service providers, consumers, community advocates, health care professionals, supportive housing advocates, a variety of city agencies, and representatives of managed care organizations, hospitals, nursing facilities, residential care facilities, business, and labor. Laguna Honda Hospital is part of this City-wide effort to provide comprehensive long-term care services (both community-based and institutional) to frail elderly and younger disabled adults. Representatives from the Department of Public Health and Laguna Honda Hospital are on the Task Force.

The Task Force is developing a proposal to submit to the State Department of Health Services pursuant to Assembly Bill 1040 (Bates). San Francisco's overall goals for the system are to:

- allow consumers to remain an integral part of their family and community,
- provide easy access to services,
- offer choices in service settings,
- enable consumers to stay at home for as long as possible and
- enhance consumers' quality of life

The overarching philosophy is to provide the most appropriate care in the least restrictive setting and in a responsible and flexible manner. While the goals stress expanding in-home and community-based long-term care settings, the Task Force appreciates the fact that institutional services are still needed. Laguna Honda Hospital would be a part of the proposed long-term care system. The Task Force report clearly states that institutional services would be a part of the continuum of long-term care services. This is particularly important to note in light of the growing elderly population within San Francisco who may need institutional care.

The Task Force is proposing that a locally-run, long-term care services agency be established to develop multiple provider networks. The long-term care services agency will: (1) establish the requirements that will guide the formation of the networks, (2) negotiate a capitated budget with the State and (3) administer the funding. Each network will have a continuum of social and medical services. This system should vastly improve care coordination for consumers – integrated case management is central to the service system. Services will be provided in homes, community-based settings, residential care facilities and institutions.

Laguna Honda Hospital Replacement Planning Committee recognizes that the Long-Term Care Pilot Project Task Force is exploring ways to develop a more comprehensive long-term care service delivery system for elderly and disabled adults. The Planning

Committee does not believe that the replacement of Laguna Honda is in conflict with the goal to care for individuals in the community when it is appropriate to do so. As part of this planning process, the Planning Committee adopted the following statement: "Consistent with the decisions approved by the Laguna Honda Hospital Planning Committee, the Committee supports the care of elderly and disabled adults in the least restrictive home and community-based environment whenever possible." The Planning Committee believes that its recommendation to replace Laguna Honda is consistent with this because skilled nursing facilities should be designed for those who cannot be cared for in their homes or community.

V. LAGUNA HONDA HOSPITAL REPLACEMENT PROGRAM

In February 1999, the Laguna Honda Hospital Replacement Planning Committee was established to develop a replacement proposal for the Laguna Honda campus. In April 1999 the Planning Committee presented its findings to the San Francisco Health Commission. The proposed replacement was also submitted to the City and County's Capital Improvement Advisory Committee in April 1999 by the San Francisco Department of Public Health.

The Planning Committee worked with consulting firms in the areas of architecture, construction, engineering, finance and housing to develop the replacement program. In the early 1990s, the consulting firm of Kaplan, McLaughlin and Diaz (KMD-Gordon H. Chong and Partners) was retained to prepare a Facility Master Plan for Laguna Honda Hospital. This effort entailed doing an assessment of the existing facility, developing an operational and space program, and conducting a facility and site development analysis. Information from this Facility Master Plan was reviewed and used by the Planning Committee. Under the proposed replacement proposal, with pro bono assistance of Anshen & Allen Architects, Kaplan, McLaughlin and Diaz, and Turner Construction Co., the number of beds within the hospital would increase from the current level of 1,065 to 1,200 and 140 assisted living units would be placed on the campus.

A. Previous Bond Program Analyses

In developing the 1994 Facility Master Plan, three options were explored to address the long-standing physical and structural deficiencies of Laguna Honda Hospital. The options were:

- Option A: Minimal new construction – The existing hospital is retained and the entire facility is renovated. The proposed costs would have been \$759.8 million. Because of the sequential nature of seismically upgrading and renovating the facility, the period of constructions was projected at 11 ½ years.
- Option B: Multi-phased replacement – This option called for a partial replacement of some patient care wards on a phased-in basis. The proposed costs would have been \$574 million. The project construction period was 7 ½ years.
- Option C: Three-Phase replacement – Complete replacement of the existing facility (includes patient care wards and support services). The proposed costs would have been \$482 million. The project construction period was 10 years.

Each of the options was evaluated based on criteria ranging from construction cost to impact on operations to expandability/flexibility of the model.

Neither Option A nor Option B were considered preferable. Option A was the most costly and the least desirable for the following reasons:

- required combination of both seismic upgrade and renovation of the existing buildings is more costly than new construction,
- cost of the infill construction is high due to the constrained and limited areas within which the work must take place and

- effect of inflation is greater since the length of time required to complete the renovation is longer than in other approaches.

While Option B provided almost complete replacement of the hospital facility, but was not advantageous for some of the following reasons:

- hospital operations would be disrupted during 7 ½ year construction process,
- construction in steeply sloped areas or in areas confined by other structures making renovations more difficult and more expensive and
- replacement hospital would rise four stories above existing building, obstructing neighborhood views and engendering community opposition.

In the evaluation process, Option C (completely rebuilding the facility) received the highest rating. Rebuilding the facility was preferable because it had:

- lowest construction and project cost,
- shortest time frame for construction of main patient wards,
- least disruption to ongoing operations during construction,
- best operational efficiency upon completion and
- best neighborhood compatibility and acceptance due to low profile created by location in valley portion of the site.

The reasons cited in 1994 for the selection of Option C over Option A or B exist today.

Finally, the 1994 Facility Master Plan did explore the option of doing no new development. It was found that this option would seriously jeopardize the future of Laguna Honda Hospital. Under this option, the only work that would be done would be to bring the existing nursing wings into code compliance. It was estimated that the construction costs for these nursing unit renovations would exceed \$150 per square foot or \$100 million for all nursing units. In addition to these costs, it was noted that any type of re-modeling would trigger mandated updating of all building systems serving those areas. Furthermore, these renovations would require the Hospital to reduce its overall bed capacity by 50%. The proposition was deemed cost prohibitive.

There was also the concern that if Laguna Honda Hospital is not replaced, then the City and County would be at risk for loss of \$91 million in revenue because the Hospital is not in compliance with the Health Care Financing Administration requirement for 4 bed hospital rooms. This concern still exists.

B. Alternative Sites

The Planning Committee considered alternative sites, but none were considered suitable. This finding was also noted in the 1994 Facility Master Plan. The Planning Committee recommend that the new replacement of Laguna Honda be located on the existing Forest Hills Site.

Laguna Honda currently sits on 62 acres of which 50% is zoned as buildable land and 50% is zoned as open space. Geographically, Laguna Honda is in the middle of the City. There is a Municipal Railway underground station directly across from the campus. In addition, there is a Municipal Railway bus that stops directly in front of the main doors of the Main Hospital. Both allow for easy public access to Laguna Honda.

The campus can support not only the replacement of the skilled nursing facility, but can also support other housing options for frail elderly and disabled adults. No other large site exists in the City and County.

There is very little remaining space available for development in San Francisco given the relative small size and existing density of the City and County. Specifically four other areas: Bayview Hunters Point Shipyard, Treasure Island, Mission Bay and the Public Health Hospital were examined. None of these spaces will be able to accommodate the safety, space or transportation needs for the campus. Below is a brief discussion of the sites:

- Bayview Hunters Point Shipyard: This area contains substantial soil and ground water contamination. The Shipyard is currently under the control of the U.S. Navy, and the Navy's clean-up of the site is projected to take many years. Thus, it would take longer to develop a new hospital at the Shipyard than at the current Laguna Honda site.
- Treasure Island: Treasure Island is also under the control of the U.S. Navy, although the City and County has plans for its reuse and civilian leasing is beginning. Access to the island is constrained however, and land is subject to the Tidelands Trust. There is no remaining space on the island to accommodate Laguna Honda.
- Mission Bay: This area, like Treasure Island, is in the process of being developed and the land has been designated for development and other services.
- Public Health Hospital: This hospital was vacated by the federal government. It does not have adequate space to accommodate a 1200 bed facility. In addition, there is no easy transportation to this area. The hospital has also been vandalized, is in need of extensive repairs and does not comply with seismic safety standards.

C. 1999 Proposed Bond Program

Based on the work of the Laguna Honda Hospital Replacement Planning Committee and previous work done by Kaplan, McLaughlin and Diaz, the Department of Public Health is proposing a new replacement plan for Laguna Honda Hospital and placement of assisted living on the campus. The estimated program cost (including financing costs) is \$437,045,000.

Under the replacement plan, the City and County would maintain Laguna Honda as predominately one large, single-site institution. The new hospital would have a majority of 1-bed and 2-bed rooms which would bring Laguna Honda in compliance with Health Care Financing Administration regulations. There would be no open 30-bed wards. The private and semi-private rooms will provide residents with more privacy for personal matters and medical treatment, and decreased noise. The Laguna Honda replacement plan is comprised of four projects as indicated in Table 8 on the next page:

TABLE 8
Proposed Project Components

Project Number	Title	Description of Activities	Completion Date	Cost
Project 1	Temporary Central Plant	Install temporary central plant (e.g., laundry, shop, boiler plant, etc.) and demolish the existing central plant in Clarendon Valley. Prepare site for new hospital. Demolish Clarendon Valley. Conduct hazardous material abatement.	October 2001	\$ 5,920,167
Project 2	1200 Bed New Hospital	Build new 1200 bed hospital in Clarendon Valley. After new construction is completed all nursing wings of the current main building and Clarendon Hall would relocate into the new structure.	Summer 2006	\$346,992,569
Project 3	140 Assisted Living Units	Demolish Clarendon Hall and prepare site for the development of assisted living units. Clarendon Hall site can accommodate 140 units. Includes City and County match of \$15 million to leverage additional federal funds to build assisted living units	Spring 2009	\$ 21,817,348
Project 4	Former Hospital Building	Upgrade and remodel existing administrative and support services space within the current main building. Demolish rear portion of old nursing wards. Complete site improvements	Spring 2009	\$ 53,977,403
	1200 Beds & 140 Units			\$428,707,487
		Issuance Cost		\$ 8,337,513
		Total Cost		\$437,045,000

The capital improvements funded by this bond proposal can be classified in four distinct design and construction projects, including demolition, replacement, new construction and renovation. The phasing of the four projects takes into account the functional difficulties of moving patients, maintaining current bed capacity, crossover of site utilities, and continuing operations during construction. The four construction projects can be described as follows:

- Project 1- Temporary Central Plant
Temporary central plant facility which will be constructed to provide for site utilities, boiler plant, emergency generator, and maintenance shop. Existing Boiler House, Laundry, Emergency Generator House, Bridge Building, Greenhouse, and other miscellaneous structures will be demolished after utilities are cut over. Art and telephone/data systems.
- Project 2- New Hospital
New construction of a 1200 bed Skilled Nursing Facility with adjacent patient support services. Included are site development directly related to this building and construction of permanent central plant.
- Project 3- Assisted Living Clarendon Hall
Demolish Clarendon Hall and prepare site to accommodate 140 assisted living units and City & County matching funds for construction.
- Project 4- Former Hospital Building
Former main hospital building and Wings A and B are upgraded, historically renovated and interior remodeled for use for support and administration functions. Previous nursing wings are demolished and complete site improvements are made on the campus.

In November 1994, the Planning Commission approved Laguna Honda Hospital's Institutional Master Plan which included the recommended plans for rebuilding the facility. In July 1998, the Planning Department issued a General Plan referral indicating that the 1998 Replacement Plan for Laguna Honda Hospital Bond proposal conformed with the City and County's General Plan. This current replacement proposal is not substantially different from the 1994 recommendation or the 1998 bond program. In April 1999, the Department of Planning issued a statement indicating that this proposed 1999 replacement plan for Laguna Honda was consistent with the City and County's General Plan.

VI. PROGRAM RECOMMENDATIONS FOR REPLACEMENT FACILITY

The care at Laguna Honda should be focused on residents and centered around their clinical, functional and psychosocial needs. The goal is to provide restorative and rehabilitative care to residents. Laguna Honda's skilled nursing facility should be used for residents who need this level of care and that other long-term care consumers should be served in less restrictive settings whenever possible.

To ensure that these fundamental concepts are understood and appreciated, a preamble was developed which provides the context for why it is necessary to rebuild Laguna Honda and what role Laguna Honda has in caring for the elderly and disabled population. The preamble appropriately set the stage for the Planning Committee's recommendations. The preamble is as follows:

"The replacement of Laguna Honda Campus gives the City and County of San Francisco an opportunity to build a modernized skilled nursing facility that addresses the clinical (i.e., medical, nursing, rehabilitative, social and nutritional care), functional, psychosocial and residential needs of the population. As much as possible, the Laguna Honda campus should provide a full spectrum of housing options to frail elderly and disabled adults. Laguna Honda is not solely a campus containing skilled nursing facility care.

Laguna Honda provides a comprehensive array of programs and services to frail elderly, disabled persons and other persons who cannot be cared for within the community or within their homes. As a result, when individuals transition into Laguna Honda the environment should be supportive, promote independence and maintain a sense of community for the residents. The current and future residents of Laguna Honda are a heterogeneous group with many different clinical needs, social support systems, and cultural, ethnic and religious identification. The San Francisco community recognizes and appreciates these different needs and develops programs in response to the resident population."

A. Program Principles

As part of its work, a set of principles was developed to guide program recommendations. The principles are designed to provide the framework for what programs should be contained on the campus, number of beds in the skilled nursing facility and bed configuration.

Recent trends in long-term care are focusing on enhanced privacy for residents in skilled nursing facilities. At the same time, there is a keen interest in preserving the community aspects of open wards which reduce isolation, allow for social interaction and stimulation and create a feeling of community for some residents. The principles outlined below attempt to balance these competing perspectives. Please note that there is no implied prioritization in the ordering of the principles.

1. Any rebuilding of the Laguna Honda Campus should create a residential environment that promotes individualized care and supports a feeling of community and home-like settings.
2. The Laguna Honda Campus should be designed to ensure that residents have adequate privacy and should provide appropriate space for resident activity and dining.
3. The Laguna Honda programs and buildings should include a full continuum of care settings for residents (such as assisted living and residential care) based on clinical needs.
4. Flexibility should be built into the architectural space to ensure appropriate use of resources and create the least restrictive format possible.
5. Flexibility should be built into the design of the programs to meet the needs and expectation of the diverse clinical, functional and cultural resident population.
6. An excellent standard of care should continue to be provided by all programs.
7. Programming should be interdisciplinary with a full range of clinical (i.e., medical, nursing, rehabilitative, social and nutritional care) and psychosocial care
8. Programs should promote sensory and psychosocial stimulation, ensure resident interaction with staff and other residents, promote independence and address functional and cognitive impairment.
9. Resident and family member input should be an integral component in the development of programs and activities on the Laguna Honda Campus to ensure that they are resident-centered.
10. Residents on the Laguna Honda Campus should remain a part of the San Francisco community and have access to and participate in activities to the best of their ability off Campus.
11. Non-resident programs for frail elderly and disabled adults should be expanded.
12. Adequate numbers of qualified and trained staff must be available to provide services to the residents as specific programs are expanded and developed to meet the complex needs of the Campus.
13. Resident and non-resident programs on the Laguna Honda campus should have an intergenerational perspective.
14. The Laguna Honda campus should have a role in public service in education to the community and it should continue to be a training site for health professionals.

The program recommendations for the replacement facility are in the following areas:

- number of skilled nursing beds,
- design of units,
- number of beds per unit,
- number of beds per room,
- dining and activity areas,
- bathrooms on units and
- programs and services.

B. Number of Skilled Nursing Beds/One New Skilled Nursing Facility

The recommendation is for 1200 skilled nursing beds on the Laguna Honda Campus. This recommendation is based on the projected need for skilled nursing facility care.

This recommendation calls for discontinuing the use of Clarendon Hall and building one skilled nursing facility with 1200 beds. One 1200-bed facility will improve operational efficiency because separate remote sites can be expensive. It will also ensure that all residents have equal access to services and amenities. Finally, housing all skilled nursing residents in one facility will ensure that all residents are in a seismically safe building.

C. Design of Units

The recommendation is for a cluster design model for the patient units. With a cluster design, rooms are situated such that all bedroom doors open toward a central area of common services and the nurses' station. This design feature is critical because it ensures that staff is closer to where residents are served and allows the facility to create a community atmosphere. Residents will gravitate towards the center where they can participate in activities and converse with others. The nursing stations could be placed just beyond the center of the semi-circle allowing residents easy access to providers if they need medical assistance or assistance in performing an activity of daily living. Fundamentally, the cluster design enables us to preserve some of the benefits of the open ward model while creating privacy. The traditional design, in which rooms are situated down a corridor, is not preferable for the new skilled nursing facility. It would contribute to isolation, be counterproductive to creating a sense of community and home-like settings and be labor intensive to staff therefore not as efficient as the cluster design.

D. Number of Beds Per Unit

The recommendation is that no more than 60 beds per skilled nursing facility unit. The skilled nursing facility units are the hubs of resident activity. Resident life will be centered around the unit individuals reside in. Activities, dining and nursing care support will be provided to groups of residents. The Sub-Committee believes that maintaining units which are no more than 60 people is appropriate. It is important to note that a 60-bed unit should not imply that a nurse would take care for 60 residents at a time. A 60-bed unit can be broken into satellites (or smaller units). For example, a sixty-bed unit might have four 15-bed satellites, three 20-bed satellites or two 30-bed satellites.

E. Number of Beds Per Room/20% Private and 80% Semi-Private Rooms

The Planning Committee recommends that the new replacement facility have a majority of 1-bed (single) and 2-bed (double) rooms, specifically 20% private and 80% semi-private. A maximum of seven 4-bed rooms is recommended. While 4-bed rooms meet federal standards, they are not the prevailing standard among nursing facilities. Nationally there has been more increased emphasis and demand for resident privacy in skilled nursing facility. Increased privacy relates not only to the resident's ability to sleep uninterrupted, but also to their ability to have private visits, participate in individual activities and other issues. As a result, more skilled nursing facilities are being constructed with single and double rooms. This configuration of rooms also allows for fully utilizing beds by reducing the need to leave a bed vacant if a new resident is not of the same gender as other residents in the room. Finally, it is believed that this

configuration will allow the Hospital to more appropriately address the needs of residents who may be disruptive.

F. Dining and Activity Areas

The recommendation is that multi-purpose activity and dining areas be placed in each unit. It is important to ensure that each unit has adequate space for dining and activities. Laguna Honda residents need ready access to these areas. Having activities on the units furthers our goals of providing sensory stimulation, interaction and psychosocial support to residents. The areas should be designed to ensure multiple uses and purposes. The dining area should have the capacity to serve all residents in a unit and smaller numbers of residents. Serving smaller numbers of residents can help ensure that meals are provided in a community and home-like environment.

G. Bathrooms on Unit

The recommendation is that each room have private access to a toilet and sink (single, double and 4-bed rooms). It further recommended that no communal baths or showers be installed. As the functional impairment of Laguna Honda residents' increase, it is critically important that residents have access to bathing and toileting facilities that are in or near their rooms. The distribution of baths and showers must reflect the functional ability of the residents. As more elderly and disabled adults age-in-place at Laguna Honda, lose their ability to wash themselves independently or have mobility problems, it may be appropriate to ensure that residents have more access to baths. No specific recommendation is made with respect to placement of showers or baths in resident rooms. However, it does provide the following guidance and recommendations on the following:

- Showers
 - No communal showers
 - Ensure that residents who prefer showers have that choice available to them
- Baths
 - No communal baths
 - Continuation of bathing facilities for those needing therapeutic baths and those unable to take showers
- Assisted Bathing
 - At least three assisted bathing areas (with toilet, bath and shower) for every 30 beds
- Toilet
 - Each room have private access to a toilet and sink
 - A toilet and sink area should be near each unit's multi-purpose activity area

H. Programs and Services

The current array of services on the Laguna Honda campus be continued. This includes the continuation of acute care services on the campus.

It is important to ensure that residents have access to activities which promote independence, stress mobility, maintain functional capacity and normalize residents' lives. The programs and services at Laguna Honda should stress restorative and

rehabilitative care and must meet the needs of the future Laguna Honda population. The programs and services must also take into the account that the resident population has become more acute, is more likely to have substance abuse problems and have more multiple diagnosis.

Programs and services offered on the Laguna Honda campus that serve San Francisco residents who do not live at the facility should be expanded. Many elderly and disabled adults use the Adult Day Health and Senior Nutrition Program on the campus. These services are critical for long-term care consumers residing in their homes and communities. As a result, the project proposes expansions in the existing Adult Day Health Care, Senior Nutrition and Animal/Horticultural Therapy programs along with the development of a child care center for employees and aqua therapy for residents. These programs are being expanded to meet community needs. The program enhancements promote: (1) resident interactions with individuals who no do reside at the facility and (2) inter-generational programming. Expansions of these programs may also ease the transition for people who may soon reside at Laguna Honda but who are now using the campus for outpatient services.

The Hospital's current licensed capacity for adult day health is 65 persons a day and the licensed capacity for senior nutrition is 55 persons a day. The recommendation is to expand these programs by allocating additional square footage area which will enable them to service more individuals and provide more activity space. The estimates are that the adult day health center would serve an additional 25 persons bringing the total number of people served by the center to 90 (this is a 38% increase in the number of people served). Of the additional 25 adults, 10 would be part of the current adult day health center program and 15 would be in a newly developed Alzheimer's adult day health center program. The Planning Committee felt that it was important to develop this new program to respond to increasing community need.

It is estimated that the senior nutrition program would increase its capacity from 55 to 85 – 100 adults per day (an increase of 55% - 82%). An increasing number of elderly persons, who live in the community, need access to nutritional programs and meals. The expansion of Laguna Honda's senior nutrition program is designed to serve more adults in the surrounding communities and neighborhoods. The additional space for animal/horticultural therapy will allow more residents to use this program. The area for anima/horticultural therapy will be more accessible (both in terms of hours of operation and in terms of physical access). In addition, more area will be devoted to resident planting and other horticultural activities.

Attachment D (page 54) provides the programs and services recommended for the Laguna Honda campus.

VII. TECHNICAL BUILD ASPECTS OF THE LAGUNA HONDA CAMPUS

The technical aspects of the project relate to the architectural, engineering and construction aspects of the proposal. The following design goals should be met during the construction of the new facility:

- allow continued operation of the existing hospital during construction of its replacement,
- retain the historically-significant main building façade and its park-like setting,
- compose the new building to minimize its apparent bulk, preserve neighborhood views and respect the site topography,
- provide easy access for residents to outdoor gardens and terraces,
- cluster patient rooms into small social groupings,
- organize new and existing public amenities into a community concourse and
- create a residential, home-like, non-institutional environment.

A. Placement of New Facility on Campus

The Planning Committee is recommending that the new hospital be placed in Clarendon Valley on the existing campus. Clarendon Valley is recommended for the following reasons:

- it is one of the few level pieces of land on the campus,
- it has sufficient space to accommodate a new hospital without exceeding the 80 foot height restriction and
- it enables the City to build a new hospital without disrupting the current resident population (i.e., building on the campus can occur while maintaining the current census at the existing hospital).

Clarendon Valley is situated in between the Hospital and Clarendon Hall. Currently the valley is used for parking. It also houses the central plant (i.e., boiler, laundry, etc.).

Comprehensive site and traffic access improvements are included in the this building program. The building program does not propose demolishing the existing administrative wings of the current Hospital. This portion of the Hospital would be retained and code-required improvements would be made. The proposed program totals 812,023 square feet.

B. Project Delivery Approach

A project delivery approach based on the design/build model is being recommended. Under the design build contracting option the City and County would not have separate architectural and construction contracts, but one single contract with a team consisting of a designer, builder and often a financier. Selection of the contractor is based on qualification and not on price – the contract is negotiated. Financing may be private and may be structured as a long-term lease back. The City recently adopted a Design-Build Ordinance (Administrative Code Section 6.09).

The Sub-Committee considered eight approaches, but chose the design/build model because of the following reasons:

- availability of pre-construction services for costs and constructability,

- shorten design and construction period,
- create flexibility in the number and timing of bid packages and
- obtain competitive pricing.

C. Construction Phasing

Construction for the project would be in four primary components which comprise several phases. In the minimum program it consists of the following:

- Temporary Central Plant: In order to build in Clarendon Valley, the existing central boiler plant must be destroyed. A temporary mechanical facility and central plant will be developed during the period of construction. During this phase demolition in Clarendon Valley will occur along with any hazardous material abatement.
- New Skilled Nursing Facility: Building of the new 1200 bed facility with support services. After the facility is built, residents in the old building and some residents of Clarendon Hall would be transferred to the new building.
- Clarendon Hall Demolition/Assisted Living: Clarendon Hall would be demolished and the land would be made available for assisted living units.
- Former Hospital Building: This phase consists of upgrading and remodeling the administrative areas of the old hospital and demolishing the former patient areas in the rear of the old hospital.

VIII. ASSISTED LIVING

The recommendation is that assisted living be located on the Laguna Honda campus. The assisted living units on the campus are above and beyond the 1,200 skilled nursing beds that is recommending. The recommendation is that any bond measure that goes before the voters for Laguna Honda include language which commits the City and County to expanding assisted living on the Laguna Honda campus and elsewhere in the City as appropriate. This recommendation provides partial funding (i.e., anticipated City and County match for federal funds) for assisted living to be included on the Laguna Honda campus.

It has been determined that 140 assisted living units could be placed on the Clarendon Hall site. The assisted living would be constructed once Clarendon Hall is demolished – estimated to begin in the Summer of 2006. It is anticipated that the assisted living units would be ready for occupancy in Spring 2009.

There is no uniform definition of assisted living. However, in its simplest form it can be thought of as housing with extensive support services which enable disabled individuals to live as independently as possible. Assisted living relies on a social approach to providing care to long-term care consumers because of the non-institutional approach to coordinating clinical and psycho-social care.

The Long-Term Care Pilot Project Task Force projects that by the year 2020, over 7,000 elderly will need supportive housing (i.e., assisted living, co-location, service enriched congregate, etc.). There is currently a shortage of assisted living for elderly and disabled adults in San Francisco. As a result, some long-term care consumers may fail in their community or be inappropriately placed in a skilled nursing facility because it is the only place where they can receive assistance with activities of daily living.

The San Francisco Health Commission, Department of Public Health and Laguna Honda Hospital Replacement Planning Committee believe that placing assisted living on the Laguna Honda campus is appropriate to ensure that the campus has a continuum of services for frail elderly and disabled adults. Laguna Honda should be an environment which offers a continuum of options for residents and their families. Assisted living is a critical component in our efforts to delay or avoid placing individuals in skilled nursing facilities.

Assisted living has become more in demand for disabled adults, persons with chronic illnesses and others because it promotes independence, stresses privacy and individualizes services to meet a resident's needs. Assisted living allows individuals to age in place. Assisted living is also important within the context of younger disabled adults. Young people with disabilities have greater access to assistive technologies which can enable them to function in the community as independently as possible. However, in order to function within the community, supportive housing such as assisted living is needed.

The recommendation for a single building (versus multiple smaller buildings on the same site) was influenced by the fact that this is the best way to preserve land for assisted living. Demolishing Clarendon Hall is necessary to prepare the site for assisted living. In addition, demolishing the unoccupied building will eliminate the need to do ongoing maintenance and will eliminate any security problems. Demolition of the site allows for the development of assisted living to proceed as soon as possible.

IX. PROJECT MASTER SCHEDULE

The Master Schedule includes all aspects of the project from the election to the Environmental Impact Review process to getting approval from the Office of Statewide Health Policy and Development. It also includes the construction schedule and also provides the construction schedule for assisted living on the campus. Attachment E (page 60) is the proposed Master Schedule.

Under the proposed schedule, the hospital designs begin in November 1999 if the bond measure is approved by the voters. Occupancy into the new hospital would begin in the Summer of 2006 and the assisted living units would be ready in the Spring of 2009. It is anticipated that it will take approximately 7 years to replace Laguna Honda Hospital.

The project's milestones are as follows:

- November 2, 1999 bond election for a new hospital and design begins,
- Spring 2001 EIR certified and clearing of valley buildings begins,
- Spring 2002 foundation and steel frame for new hospital begins,
- Spring 2003 exterior enclosure and interior system begin,
- Winter 2003 design of assisted living begins,
- Spring 2006 move into new hospital and begin renovation of old hospital and demolition of Clarendon Hall,
- Winter 2006 Clarendon site clear and start building assisted living,
- Spring 2008 move into renovation; start demolition of finger wards and
- Spring 2009 parking, road and landscaping complete and move into assisted living units.

X. FINANCIAL ASPECTS OF REPLACEMENT PROGRAM

The financial aspects of this replacement program are project costs, financing mechanisms, sources of repayment and facility operating costs.

A. Estimated Project Costs

Constructing the new hospital and allocating funding for assisted living will cost an estimated \$428.7 million. Table 9 provides the detailed information on the cost estimates:

TABLE 9
Estimated Project Costs by Program Component

<i>Program Component</i>	<i>Added Cost</i>	<i>Project Cost</i>
Base Program (1050 New Bed Facility and 150 Beds Retained at Clarendon Hall)		\$339,564,000
New 1200 Bed Skilled Nursing Facility	\$25,736,000	\$365,300,000
20% Private and 80% Semi-Private Rooms	\$27,271,000	\$392,571,000
Enhancements for Adult Day Health Care, Senior Nutrition Center and Animal Horticulture Therapy; development of Child Care for Employees, Aqua Therapy	\$14,319,000	\$406,890,000
Demolish Clarendon Hall	\$6,817,000	\$413,707,000
Partial Funding for Assisted Living – at least 140 units	\$15,000,000	\$428,707,000
<i>Total</i>		<i>\$428,707,000</i>

The \$15 million for assisted living represents the City and County's match to leverage additional federal funds to construct assisted living units. The current estimates are that at least 140 units or more could be developed with this funding coupled with a federal match.

The estimated total project cost is \$437,045,000 consisting of:

- Project costs = \$428,707,487
- Financing costs = \$ 8,337,513

B. Bond Financing Options

The Laguna Honda Hospital Replacement Planning Committee, with the pro bono assistance of Public Financial Management, Inc., Kitahata & Associates and Goldman, Sachs & Company, determined that general obligation bonds provide the lowest cost financing and the greatest assurance for completing the project. Two other types of debt instruments, lease revenue bonds and asset backed securities, were carefully analyzed as alternative funding mechanisms. Attachment F (page 61) provides the capital financing options for general obligation and lease revenue bonds.

1. Lease Revenue Bonds

Lease revenue bonds are not debt pursuant to Article XIII of the State Constitution and therefore are carefully structured around the underlying asset. As a result, lease revenue bonds are a significantly more expensive and less efficient mechanism for funding the Laguna Honda replacement project.

First, lease revenue bonds require that no lease payments (i.e., debt service) be paid until the financed asset is available for use and occupancy. Thus, no debt payments can be made during the construction period. However, at a minimum, investors must be paid interest on their investment during the construction period. The interest component is therefor borrowed as part of the financing (known as capitalized interest) which adds significantly to the cost of the borrowing. In the case of the Laguna Honda project, the construction period extends for a period of 10 years. It is not clear that a finance plan employing multiple series of lease revenue bonds, and the corresponding capitalized interest, is feasible nor is it clear that such a plan would comply with IRS expenditure regulations related to tax-exempt bonds.

Second, lease revenue bonds, like a rental lease, require a one year security deposit known as a debt service reserve fund. The debt service reserve fund must be capitalized in an amount equal to one year's debt service. This money is also borrowed as part of the financing which adds significantly to the borrowing amount and therefore the repayment amount. In the case of the Laguna Honda project, that amount would probably be \$45 - \$50 million in pure financing costs.

Third, lease revenue bonds carry greater repayment risk. Investors are investing in the viability of the financed structure (the hospital campus) and are dependent upon the general fund for repayment. If there is a shortfall in the general fund, investors could require the City to reduce services in order to make its debt payments. Furthermore, under State law, in the event of damage to the facility that would temporarily or permanently reduce the use and occupancy of the hospital, lease payments (i.e., debt service) could not be repaid. In order to compensate investors for this repayment risk, the interest rate of lease revenue bonds is significantly higher than that of general obligation bonds.

Finally, due to the magnitude of the replacement project, the amount of lease revenue bonds that would be required to completely finance the project is \$554.2 million. There is no assurance today that the municipal bond market would absorb that much debt for a single facility. While a significant amount of lease revenue bonds were issued to finance the construction of the Moscone Convention Center, they were issued over a period of 15 years and were issued on behalf of a project which brings significant revenues to the City. The Laguna Honda replacement project does not meet this criteria.

2. Asset Backed Securities

Asset backed securities are not a municipal debt product but rather are a corporate debt product. These types of securities are typically used to leverage credit card receivables and have even been used in Florida to leverage a sizable insurance settlement. Many Wall Street firms are promoting asset backed securities as a means for leveraging tobacco settlement moneys. They represent a viable debt tool for insulating the investor and the borrower from the risk that the moneys are not received either as scheduled or in the amount anticipated.

The market for tobacco-backed securities does not currently exist. However, while such a market will eventually be created as a means for municipalities to leverage this money, at this time, it is not known what additional "enhancements" will be required. The City of New York and Nassau County, New York are currently working on a means for using asset backed securities to leverage their settlement moneys and will likely be the test cases for this type of debt. As such, they will probably pay higher rates of interest to compensate investors for unknown or unquantified risks until the tobacco-backed marketplace matures.

Currently, tobacco-backed securities do not represent a viable financing mechanism for the Laguna Honda project for several reasons. First, the money San Francisco is scheduled to receive is due over time and would need to be leveraged today to fund the project. While San Francisco is scheduled to receive \$585 million from the tobacco settlement, that is not enough money to pay in full both the principal and interest on the amount of debt to completely fund the project. A companion debt instrument would be required.

Second, it is unclear that San Francisco will in fact receive every dollar of the \$585 million scheduled over the next 25 years. Receipt of this money is dependent upon the following national factors: (1) cigarette consumption in the U.S., which has steadily declined; (2) continued viability of the "big four" cigarette companies that bear the brunt of the settlement burden and whose credit ratings are significantly lower than San Francisco's; and (3) absence of future federal sanctions/taxes against the tobacco companies.

Third, under the Memorandum of Understanding between the State of California and the local jurisdictions, a considerable portion of San Francisco's share depends on its population relative to the population of the other 57 counties. During the life of the bonds there will be a least three census counts. If San Francisco's population declines relative to that of other counties, San Francisco will receive a proportionately smaller share of the settlement moneys.

Finally, it is not known today what credit enhancements the capital markets will require to invest in this type of debt, what interest rates may be required to attract such investors, or that sufficient investors exist to absorb all of the tobacco-backed debt that is intended to be issued by the municipal plaintiffs. Will the marketplace require a debt service reserve fund? Will the marketplace require debt service coverage? If so, what

percentage of the scheduled settlement payments can be leveraged? As a result of these and other issues, it is impossible to determine the appropriate par amount of any asset backed securities today and the par amount of the companion debt instrument to complete the replacement project.

3. General Obligation Bonds

General obligation bonds provide the least cost financing and the most efficiency for this project. First, general obligation bonds carry the lowest interest rates. Second, general obligation bonds do not require additional funding of debt service reserve funds or capitalized interest and thus reduce the overall borrowing amount. Third, general obligation bonds can be issued as the moneys are required and are not dependent on the status or timing of the underlying project. Tobacco settlement funds may be applied to pay a portion of the debt service on general obligation bonds or applied to finance construction costs on a pay as you go basis – thereby leveraging their receipt in a much more efficient manner. General obligation bonds therefore provide the best means of leveraging the tobacco settlement moneys since general obligation bonds result in the lowest amount of debt service and thus the greatest amount of recovery from tobacco receipts.

C. Source of Repayment

The source of repayment for general obligation bonds is ad valorem property taxes – they secure the investors risk of purchasing the bonds.

However, in addition to the property taxes, the Department believes that other sources of funds can be used to pay, on a reimbursement basis, a portion of the rebuilding costs. Specifically, it is being requested that tobacco settlement receipts and additional state and/or federal funds also be used to pay for a portion of the project costs or debt service. However, these funds alone will not cover the costs of replacing Laguna Honda. Therefore, some portion of the debt service will be borne by taxpayers.

It is recommended that all tobacco settlement funds received by the City and County of San Francisco should be dedicated for the construction of a new Laguna Honda. The tobacco settlement requires the nation's major tobacco companies to provide payments to states and to restrict their marketing activities. The payments are in perpetuity. The estimated payment to San Francisco from the tobacco settlement is \$585 million for the first 25 years. Tobacco settlement receipts are recommended to be used for debt service on construction, equipment and other related financing costs as the first and primary source to pay off capital costs of the project.

In California, there is a memorandum of understanding between the State and the counties to split the financial recovery from the tobacco settlement 50%/50%. The agreement was signed by the State Attorney General. There are a number of uncertainties surrounding the level of funds the City and County will ultimately receive. Specifically, a reduction in tobacco sales, changes in census and tobacco company bankruptcy will reduce the level of funding received. On the other side of the equation,

there is an inflation factor that must be added to account for the annual Consumer Price Index.

For this analysis, it is not assumed that the entire amount of the tobacco settlement would be applied to debt service, but discounted by various percentages to account for negative factors (such as a drop in County population relative to the State or decreases in national tobacco sales) that would affect the total amount received. Attachment G (page 62) provides detailed information on the following scenarios:

- receive 100% of tobacco money and apply \$485.9 million to debt service,
- receive 90% of tobacco money apply \$442.0 million to debt service,
- receive 75% of tobacco money apply \$376.9 million to debt service and
- receive 60% of tobacco money and apply \$313.3 million to debt service.

The entire principal and interest that will be paid on this project is anticipated at \$818.7 million using current interest rate assumptions. Application of tobacco settlement funds would reduce the remaining amount of the debt service which must be paid for by ad valorem taxes (i.e., property tax). With more tobacco receipts available to cover the debt service there is a reduction in the amount paid by property taxes. However, as can be seen from above, the tobacco settlement funds will not cover the entire principal and interest due and a portion of those costs will need to be covered with local support.

The tax effect of this bond issuance has been calculated for the following property values: (1) \$300,000 home, (2) \$400,000 home, (3) \$1,000,000 building and (4) \$5,000,000 building. This information is also shown on Attachment G. According to the Controller's Office, the median assessed value of homes in San Francisco is \$300,000. The estimated total paid in property taxes over the life of the bonds (26 years) would be \$4,173 for a home with an assessed value of \$300,000 if no tobacco receipts were applied to offset the debt service. Table 10 on the next page provides the application of the tobacco settlement based on a home with an assessed value of \$300,000 and assumes that 75% of the tobacco settlement money is actually received and that \$376.9 million is applied to debt service. As can be seen, application of tobacco settlement receipts would lower the impact to San Francisco homeowners.

TABLE 10
Application of Tobacco Settlement Receipts
(Receive 75% of Tobacco Receipts and Apply \$376.9 million to Debt Service)

Assessed Property Value	Net Debt Service	Tobacco Receipts Applied	Ad Valorem Tax	Tax Effect
\$300,000 Home	\$818,745,000	\$376,872,000	\$441,873,000	\$163.58 maximum annual impact; total paid over period is \$2,252
\$400,000 Home	\$818,745,000	\$376,872,000	\$441,873,000	\$218.11 maximum annual impact; total paid over period is \$3,003
\$1,000,000 Building	\$818,745,000	\$376,872,000	\$441,873,000	\$545.27 maximum annual impact; total paid over period is \$7,507
\$5,000,000 Building	\$818,745,000	\$376,872,000	\$441,873,000	\$2,726.37 maximum annual impact; total paid over period is \$37,536

The proposal is to have the tobacco funds (to the extent that they are received) pay for the interest in the beginning years of the project so that the property taxes would not be incurred until the project is completed. In this manner, the taxpayer would see a direct correlation between the increase in property taxes and a new skilled nursing facility.

In addition to the tobacco settlement funds, the Department of Public Health has been working with its legislative delegation in Sacramento and in Washington, D.C. to determine if there are State and/or federal funds available to pay for a portion of the replacement costs. On the federal level, the City and County has made a request to the Health Resources Services Agency (under the federal Department of Health and Human Services) for \$9 million. These funds would come from a recently created capital program within HRSA and would fund a portion of the first phase which involves destroying the central plant in the Clarendon Valley and developing a temporary structure during the construction period. If approved, these funds could potentially be received by the City and County in a lump-sum amount. This would reduce the amount of construction funds that the City and County would need to borrow by \$9 million.

On the state level, we are working closely with our delegation on a mechanism that will provide for additional reimbursement to Laguna Honda to cover the debt service. Due to State and federal appropriations and budgeting processes, the Department cannot indicate definitively that the City will or will not receive additional funds from these sources. The State budget process should be finalized in June 1999 to start the July 1, 1999 to June 30, 2000 fiscal year while the federal budget process should be finalized in September 1999 to start the federal fiscal year of October 1, 1999 to September 30, 2000. As a result, the Department could not factor in any potential funding from these sources into its financial analysis. However, if the funds are received, then they would be applied to reduce the debt service on the bonds and/or reduce the amount the City and County would need to borrow.

It is recommended that the bond measure include language that provides for the provision of allocated State and/or federal funds to pay for a portion of the costs once the funds have been identified and appropriated. After the application of tobacco money and any state/federal funding, local property taxes would be used to pay off the balance of the debt service for the replacement of Laguna Honda.

D. City and County of San Francisco's General Obligation Bond Capacity

The general obligation bond capacity for the City and County is calculated annually pursuant to limitations imposed by the City Charter. Section 9.104 of the Charter indicates that there "shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property located within the City and County." This 3% cap applies to principal only (i.e., does not include interest).

Attachment H (page 66) provides detailed information on the City's current general obligation bonds and capacity. For fiscal year 1998-99, the net valuation of the City and County is \$64 billion. This means that the City and County can have outstanding obligations totaling \$1.92 billion. The analysis assumes that the net valuation of the City and County will increase 3% each year. Last year the net valuation of the City and County increased 9%.

As the attachment indicates, at the end of the current fiscal year (June 30, 1999), the City will have utilized \$894.1 million of its bond capacity. That leaves \$1.026 billion in unused bond capacity (\$1.92 billion total capacity less \$894.1 million utilized capacity). The issuance of general obligation bonds for the Laguna Honda Hospital H shows, the issuance of general obligation bonds for this project in combination with existing bond projects would result in the City and County having remaining bond capacity of \$677.9 million in fiscal year 2000-01 and then increasing to \$1.2 billion in 2005-06.

E. Pro Forma Financial Operating Analysis

As part of the replacement planning process, a pro forma operating analysis was conducted. This report was prepared to assist with an evaluation of the revenues and expenses associated with Laguna Honda operations. Attachment I (page 67) is a copy of the complete pro forma analysis which evaluated the revenues and expenses associated with operations for the new facility.

The general methodology followed in the analysis was to evaluate historical financial trends and, as appropriate, the third-party payment and cost reimbursement relationships experienced by Laguna Honda. The pro-forma analysis was based on historical financial information for the fiscal periods ending June 30, 1998 and the six month period ending December 31, 1998, and budgeted financial information for the fiscal period ending June 30, 1999. Information was extracted from audited financial statements, internal financial statements, filed Medicare and Medi-Cal cost reports and various internally generated staffing, financial and statistical reports.

This pro forma analysis does not contain any information of the operations of assisted living on the campus. The analysis also does not include any debt service related to

This pro forma analysis does not contain any information of the operations of assisted living on the campus. The analysis also does not include any debt service related to any bond issue for the Laguna Honda campus. The analysis does incorporate the program recommendations. Table 11 provides the analysis.

Table 11
Pro-Forma Operating Analysis
(in thousands)

	PROJECTED FISCAL YEAR ENDING				
	06/30/08	06/30/09	06/30/10	06/30/11	06/30/12
Net Patient Revenue	\$100,912	\$104,514	\$104,740	\$104,875	\$105,011
Other Operating Revenue	<u>259</u>	<u>267</u>	<u>267</u>	<u>267</u>	<u>267</u>
Total Net Revenue	101,171	104,781	105,007	105,142	105,278
Operating Expenses:					
Salaries & Wages	86,289	88,691	90,465	92,274	94,119
Employee Benefits	21,768	22,374	22,822	23,278	23,744
Supplies	13,277	14,061	14,506	14,966	15,440
Services of Other Departments	5,325	5,480	5,639	5,803	5,971
Contracted Services	4,361	4,564	4,696	4,832	4,972
Provision for Bad Debt	732	771	786	802	818
Current Interest Expense	723	723	723	723	723
Start-up Costs	<u>943</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expense	131,753	135,942	138,914	141,955	145,064
Gain (Loss) From Operations	(30,582)	(31,160)	(33,907)	(36,812)	(39,786)
General Fund Contribution					
Current Contribution	19,745	19,745	19,745	19,745	19,745
Cost of Living Adjustments	<u>1,658</u>	<u>1,739</u>	<u>1,774</u>	<u>1,809</u>	<u>1,845</u>
Total Current Contribution and Cost of Living Adjustment	21,402	21,484	21,519	21,554	21,590
Increase (Decrease) in General Fund Contribution	\$9,180	\$9,676	\$12,388	\$15,258	\$18,195

As Table 11 indicates, Laguna Honda is forecasted to need additional General Fund contribution – ranging from \$9.2 million in 2008-09 to \$18.2 million in 2012-13. Laguna Honda's General Fund requirement increases principally because of the revenue and expenditure assumptions underlying the pro forma analysis.

Laguna Honda is reimbursed for skilled nursing care services by Medi-Cal based upon a fixed payment per patient day of \$214.90 which is the maximum amount allowed for Medi-Cal skilled nursing reimbursement. Medi-Cal is the primary payor of skilled nursing care. For conservative purposes it was assumed that this rate would not increase throughout the projection period. This is the most critical assumption in the

pro-forma operating analysis because approximately 96.6% of the total patient days at Laguna Honda are anticipated to be skilled nursing patient days that are subject to Medi-Cal reimbursement. In the last five years Laguna Honda has not received annual Medi-Cal rate increases for skilled nursing reimbursement – the State has frozen reimbursement rates. Since 1991-92 to the present, annual percentage increases for Medi-Cal distinct part skilled nursing rates averaged 0.33%. It should be noted that an annual Medi-Cal rate increase of 1% commencing in 1999 would increase the net patient revenue by approximately \$45 million for the forecasted period.

The assumption that Medi-Cal rates would not increase was coupled with the assumption that operating expenses would increase. Operating expenses include salaries, employee benefits, supplies, pharmaceuticals, contractual services and other expenses. Salaries were inflated at 2% based on various anticipated salary increases by employee groups. No changes in staffing were assumed for this pro forma analysis. Other operating expenses were assumed to increase at a 2.9% per annum inflation rate and a 7% increase was factored in for pharmaceuticals.

The upward trend in General Fund needs for Laguna Honda would occur even if the facility is not replaced. The lack of increased revenue and increasing expenditures will create a shortfall in Laguna Honda's operating budget.

The State is exploring several alternative reimbursement methodologies for paying both hospital-based and freestanding skilled nursing facilities. Some of the proposed alternatives include a prospective payment system, a negotiated rate formula, and several hybrid methodologies that incorporate various elements of other payment methods. Any changes in current reimbursement will significantly affect the results of the pro-forma due to several reasons. Since Laguna Honda is at the current per-diem ceiling, any changes to the reimbursement system will probably result in lower rates. On the other side, the California Hospital Association filed a lawsuit against the State Department of Health Services for arbitrarily freezing the nursing facility reimbursement rate. The trial ended in late April 1999 and the San Francisco Superior Court judge who presided over the case is considering his decision. The Court's decision should be issued within the next 60 days. The Department is hopeful that the outcome of the suit will result in a rate increase to meet cost of living adjustments.

However, it is also important to note that the federal Balanced Budget Act of 1997 allows the State to make changes to the reimbursement to skilled nursing hospitals by eliminating cost based reimbursement. If this were implemented in California, the LHH skilled nursing rate may be reduced from the current rate of \$214.90 to an unknown amount. Because of both of these factors: (1) the pending outcome of the trial in which the State may be required to increase the reimbursement and (2) the ability of the State to reduce the rate per the Balanced Budget Act, the future reimbursement from Medi-Cal is difficult to project. The Department has not received information from the State Department of Health Services regarding its position on skilled nursing facility rates for the future. As a result, the Department estimated no change to the reimbursement for the purposes of projecting its revenues and expenditures in the new facility.

Department's General Fund subsidy would be reduced or increased correspondingly with these revenue changes. Table 12 provides a summary of these revenue scenarios.

TABLE 12
Impact on City and County General Fund Contribution to
Laguna Honda Hospital Under Different Medi-Cal Rate Changes (Add'l Increments)

Potential Change to Medi-Cal rate	FY 2008	FY 2009	FY 2010	FY 2011	FY 2112
2% increase per year	\$14.5 M	\$17.0 M	\$19.1 M	\$21.2 M	\$23.3 M
5% decrease from current rate	(\$4.2 M)	(\$4.3 M)	(\$4.3 M)	(\$4.3 M)	(\$4.3 M)
10% decrease from current rate	(\$8.4M)	(\$8.6 M)	(\$8.6 M)	(\$8.6 M)	(\$8.6 M)

Attachment J (page 83) provides detailed information on the three revenue scenarios.

ATTACHMENT A
LAGUNA HONDA HOSPITAL REPLACEMENT
PLANNING COMMITTEE AND SUB-COMMITTEE MEMBERSHIP

Planning Committee

Roberta Achtenberg, Sr. Vice President for Public Policy, S.F. Chamber of Commerce

Joan Braconi, Service Employees International Union Local 250

Dale Butler, Service Employees International Union Local 790

Donna Calame, Executive Director, IHSS Public Authority

Jennie Chin-Hansen, Executive Director, On Lok Senior Health Services

Adele Corvin, Adult Day Health Network

Jack Davis, Representative, Laguna Honda First Committee

Larry Funk, Administrator, Laguna Honda Hospital

Tom Harlan, Chief Executive Officer, Chinese Hospital

Willard Harris, R.N., M.A., Consumer Advocate

Anne Hinton, Director of Case Management Services, Goldman Institute on Aging

David Ishida, Executive Director, Commission on the Aging

Mitchell Katz, M.D. (Committee Co-Chair), Director of Health, CCSF

Susan Leal, Treasurer, City and County of San Francisco

Charles Levinson, Resident, Laguna Honda Hospital/Clarendon Hall

Carolene Marks, Commission on the Status of Women

Peter Mezey, Chairman, S.F. Planning & Urban Research Association

Monique Moyer, Director of Public Finance, Mayor's Office of Public Finance

Robert Neil, President, Laguna Honda Hospital/Clarendon Hall Resident Council

Mark Primeau, Director of Public Works, City and County of San Francisco

Louise Renne, J.D. (Committee Chair), City Attorney, Office of the City Attorney

Roger Ridgway, Pastor, St. John's United Church of Christ

Maria Rivero, M.D., Medical Director, Laguna Honda Hospital

Marcia Rosen, Director, Mayor's Office of Housing

Karen Young-Simmons, Consumers in Action for Personal Assistance

Anthony Wagner, Executive Administrator, Community Health Network

Finance Sub-Committee

Jack Davis, Representative, Laguna Honda First Committee

Matthew Hymel, Director of Finance, Mayor's Office

Ken Jensen (Sub-Committee Chair), Chief Financial Officer, Community Health Network

Richard Locke, Hambrecht & Quist

David Madway, Redevelopment Agency

John Marshall, Service Employees International Union Local 250

Monique Moyer, Director of Public Finance, Mayor's Office of Public Finance

Morris Noble, Jr., Members, Laguna Honda Hospital Volunteers, Inc.

Norma Satten, Planning for Elders in the Central City

Michelle Sexton, Esq., Deputy City Attorney, Office of the City Attorney

John Shen, On Lok Senior Services

Monique Zmuda, Chief Financial Officer, Dept. of Public Health

Program Sub-Committee

Kathryn Borgenicht, M.D., Geriatrician

Joan Braconi, Service Employees International Union Local 250

Jean McClatchy Bricker, President, LHH Volunteers, Inc. Board

Luis Calderon, Chairman, Consumers in Action for Personal Assistance

Jennie Chin-Hansen, Exec. Director, On-Lok Senior Health Services

Ann Dukes, R.N., Laguna Honda Hospital (Local 790)

Mary Louise Fleming (Sub-Committee Chair), R.N., M.S.N., Community Health Network Associate Administrator, Long Term Care and Director of Nursing, Laguna Honda Hospital

Steven A. Gold, President, Goldman Institute on Aging

Willard Harris, R.N., M.A., Consumer Advocate

Paula Jesson, Esq., Deputy City Attorney, Office of the City Attorney

Jeanie Kayser-Jones, RN, Ph.D., Physiological Nursing Department, University of California at San Francisco

Jerry Levine, Jewish Home for the Aged

Anthony Nicco, Program Manager, Adult Services Program, San Francisco Department of Human Services

Joan Rademacher, Family member of Laguna Honda Hospital resident

Geraldine Rosen-Park, Family member of Laguna Honda Hospital resident

Technical Build Sub-Committee

Dale Butler, Service Employees International Union Local 790

George Fribance, Assoc. Admin. Operations, Laguna Honda Hospital

Larry Funk (Sub-Committee Chair), Administrator, Laguna Honda Hospital

June Grainger, Family member of Laguna Honda Hospital resident

Gerald Green, Director of Planning, Department of Planning

Tony Irons (Sub-Committee Co-Chair), Chief City & County Architect

Kathleen Kelly, Executive Director, Family Caregivers Alliance

Mark Primeau, Department of Public Works

Roger Ridgway, Pastor, St. John's United Church of Christ

Marilyn Thompson, Architect, Bureau of Architecture

J. Peter Winkelstein, S.F. Planning and Urban Research Assoc.

George Wong, Esq., Deputy City Attorney, Office of the City Attorney

HEALTH COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 16-99

**SUPPORTING REBUILDING LAGUNA HONDA HOSPITAL AND
PLACING A BOND MEASURE ON THE NOVEMBER 1999 BALLOT**

WHEREAS, Laguna Honda Hospital and Rehabilitation Facility provides skilled nursing care to 1,065 frail elderly and disabled adults and has traditionally served 1200 resident; and,

WHEREAS, Laguna Honda Hospital must be rebuilt to comply with federal licensing and reimbursement standards and to ensure that the facility meets seismic safety standards; and,

WHEREAS, the Health Care Financing Administration has required the Department to reduce census at Laguna Honda to enhance resident privacy, and if Laguna Honda is not rebuilt at federal standards, then the Health Care Financing Administration may seek further reductions in the Hospital's census or decertification of the facility; and,

WHEREAS, projections indicate that there will be increased demand for skilled nursing care in San Francisco by the year 2010 and beyond, which support the need to continue Laguna Honda Hospital as a vital component of the long-term care delivery system; and,

WHEREAS, the San Francisco Health Commission supported the creation of a Planning Committee to bring recommendations on how to rebuild Laguna Honda Hospital to the Health Commission, Board of Supervisors and the Mayor; and,

WHEREAS, the Laguna Honda Hospital Replacement Planning Committee was formed to make programmatic, technical and financial recommendations on the rebuilding of the Hospital and the use of the Campus, and,

WHEREAS, the Laguna Honda Hospital Replacement Planning Committee and its sub-committees were diverse and represented the perspective of consumers, providers, advocates, community-based organizations, labor, business and other interested parties; and,

WHEREAS, the Laguna Honda Hospital Replacement Planning Committee adopted the following recommendations: (1) rebuild Laguna Honda Hospital, (2) rebuild Laguna Honda on the existing Forest Hill site, (3) build a single skilled nursing building in Clarendon Valley, (4) place 1,200 skilled nursing facility beds in the new facility, (5) have a bed mix of 20% private and 80% semi-private rooms [this includes seven 4-bed rooms], (6) expand the existing Adult Day Health Center, senior nutrition, and animal/horticultural therapy program, and develop a child care center for employees, and aqua therapy for residents, (7) demolish Clarendon Hall and prepare the site for assisted living, and (8) place at least 140 assisted living units on the former site of Clarendon Hall; and,

HEALTH COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 16-99 (Cont'd.)

WHEREAS, assisted living is being proposed on the Laguna Honda Campus to ensure that the Campus has a range of housing opportunities, and to address a deficit in the number of assisted living/supportive housing opportunities for the elderly and disabled in the City and County; and,

WHEREAS, the project cost of replacing Laguna Honda Hospital and providing a \$15 million commitment for assisted living is \$437,045,000, which includes financing costs; and,

WHEREAS, the recommendation of the Laguna Honda Hospital Replacement Planning Committee is that general obligation bond(s) and/or other evidence of indebtedness be used to finance this project; and,

WHEREAS, while the source or repayment for general obligation bonds is ad valorem property taxes, the Departmental also believes that other sources of funds can be used to pay a portion of the rebuilding costs; and,

WHEREAS, San Francisco expects to receive an estimated \$585 million in tobacco settlement funds over the next 25 years; and,

WHEREAS, the Laguna Honda Hospital Replacement Planning Committee recommends using tobacco settlement funds for the replacement of Laguna Honda because it is consistent with using these funds for health-related purposes; and,

WHEREAS, tobacco settlement receipts are recommended for debt service on construction, equipment and other related financing costs as the first and primary source to pay off capital costs of the project; and,

WHEREAS, the Department is working with its legislative delegations to determine whether State and/or federal funds are available to pay for a portion of the replacement costs, and if funding is received, then it would be applied to reduce the debt service on the bonds; and,

WHEREAS, the pro forma operating analysis indicates that the City and County General Fund subsidy for Laguna Honda will increase by \$9.1 million in the new hospital's first full year of operation, and by \$18 million by the fourth year of operation, based on the assumption that Medi-Cal reimbursement would remain stable and expenditures would increase; and,

WHEREAS, increased General Fund contribution would be required for Laguna Honda whether or not the Hospital is rebuilt given Medi-Cal reimbursement trends; and,

WHEREAS, the replacement of Laguna Honda Hospital is not in conflict with the goal of caring for individuals in the community, whenever it is appropriate to do so, because the Hospital is designed for elderly and disabled adults who cannot be cared for in either their homes and/or community-based settings; now, therefore, be it

HEALTH COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 16-99 (Cont'd.)

RESOLVED, that the San Francisco Health Commission supports the need to continue providing skilled nursing facility care to ensure that elderly and disabled adults, who cannot be cared for in the community, have access to vital rehabilitative and restorative services; and be it

FURTHER RESOLVED, that the San Francisco Health Commission supports the proposal of the Laguna Honda Hospital Replacement Planning Committee to build a 1,200 skilled nursing bed facility and at least 140 assisted living units on the existing Forest Hills site of Laguna Honda at a project cost of \$437,045,000; and, be it

FURTHER RESOLVED, that the San Francisco Health Commission supports the use of San Francisco's entire tobacco settlement funds to cover a portion of the debt service related to the replacement of Laguna Honda; and, be it


FURTHER RESOLVED, that the San Francisco Health Commission requests that the Department use its best efforts to secure the maximum reimbursement allowable from payers for the services of a distinct part skilled nursing facility; and, be it

FURTHER RESOLVED, that the San Francisco Health Commission encourages continued planning on the Citywide effort to expand the array of home and community-based services for elderly and disabled adults; and, be it

FURTHER RESOLVED, that the San Francisco Health Commission requests the Department of Public Health continue to evaluate the state-of-the-art of long-term care, (including a variety of options to care for the disabled and elderly in the community), propose well-balanced, integrated services for the coming decade and present regular updates on the progress of these efforts; and, be it

FURTHER RESOLVED, that the San Francisco Health Commission recommends to the Board of Supervisors and the Mayor to proceed with the placing of a general obligation bond(s) and/or other evidences of indebtedness on the November 1999 ballot.

I hereby certify that the foregoing resolution was adopted by the San Francisco Health Commission at its meeting of Tuesday, May 4, 1999.


Sandy Ouyé Mori
Executive Secretary to
the Health Commission

CALIFORNIA NURSING FACILITIES -- NUMBER OF FACILITIES AND UTILIZATION BY COUNTY

A County	B		C Total SNF Patient Days	D		E		F		G Ratio of Beds to Residents	STATE, COUNTY, CITY OR HOSPITAL DISTRICT						
	Total Population	No. Hosp & LTC Facil		Total SNF Div. by 365	Ratio of Beds to Residents	Total SNF Lic. Beds	No. of LTC Facil.	No. of Hosp Facil.	Total SNF Pt Days		Pt. Days Divided by 365	Total SNF Lic. Beds					
Alameda	1,408,100	88	1,877,816	5,145	1: 274	5,917	1	4	78,720	216	309						
Amador	1,200	2	67,830	186	1: 6	241											
Butte	201,600	17	399,327	1,094	1: 184	1,291											
Calaveras	38,350	2	45,703	125	1: 306	132											
Colusa	18,550	2	20,923	57	1: 324	105											
Contra Costa	900,700	42	965,105	2,644	1: 341	3,627		1	1,012								
Del Norte	28,900	1	31,078	85	1: 339	99											
El Dorado	147,600	5	106,341	291	1: 507	259											
Fresno	786,800	43	1,091,267	2,990	1: 263	3,479		4	23,979	66	97						
Glenn	26,950	1	23,608	65	1: 417	76											
Humboldt	127,700	7	160,350	439	1: 291	463		1	3,002	8	8						
Imperial	142,100	3	81,852	224	1: 634	253											
Inyo	18,500	2	27,264	75	1: 248	78											
Kern	639,800	22	638,373	1,749	1: 366	1,925											
Kings	122,800	3	97,902	268	1: 458	316	1	1	60,513	166	33						
Lake	55,100	3	90,590	248	1: 222	288											
Lassen	34,150	2	42,869	117	1: 291	127											
Los Angeles	9,603,300	480	11,967,443	32,788	1: 293	40,368		6	87,452	240	595						
Madera	114,300	7	123,228	338	1: 339	427	1	1	5,804	16	19						
Marin	245,900	19	345,460	946	1: 260	1,294		-			39						
Mariposa	16,150	1	4,487	12	1: 1,314	10					10						
Mendocino	86,900	6	114,203	313	1: 278	402											
Merced	204,400	9	174,642	478	1: 427	575											
Modoc	10,150	2	24,321	67	1: 152	93											
Mono	10,600	0	0	0	1: 0	0		-									
Monterey	386,200	19	340,929	934	1: 413	1,183											
Napa	123,300	14	300,439	823	1: 150	1,218											
Nevada	88,800	7	145,849	400	1: 222	439											
Orange	2,722,300	96	2,499,165	6,847	1: 398	8,592		1	97,239	266	406						
Placer	217,900	11	299,885	822	1: 265	968											
Plumas	20,600	4	39,332	108	1: 191	104											
Riverside	1,441,200	55	1,354,542	3,711	1: 388	4,348		4	19,756	54	47						
Sacramento	1,159,800	44	1,208,403	3,311	1: 350	3,846		1	13,880	38	143						
San Benito	46,600	2	41,769	114	1: 407	122		-									
San Bernardino	1,621,900	62	1,494,220	4,094	1: 396	5,038		1	18,414	50	52						
San Diego	2,794,800	105	2,803,187	7,680	1: 364	9,873	1	3	88,080	241	335						
San Francisco	789,600	29	1,194,006	3,271	1: 241	3,822		4	187,493	514	698						
San Joaquin	545,200	31	852,727	2,336	1: 233	2,775		2	464,700	1,273	1,429						
San Luis Obispo	239,000	11	251,102	688	1: 347	867											
San Mateo	715,400	29	749,021	2,052	1: 349	2,491		1	43,720	120	124						

Santa Barbara	405,500	23	441,287	1,209	1: 335	1,494	1: 271	1	39,709	109	110
Santa Clara	1,689,900	65	1,778,995	4,874	1: 347	5,893	1: 287	3	73,343	201	521
Santa Cruz	250,200	14	355,334	974	1: 257	1,002	1: 250				
Shasta	165,000	10	261,160	716	1: 231	838	1: 197	1	32,010	88	99
Sierra	3,360	1	12,016	33	1: 102	34	1: 99	1	12,016	33	34
Siskiyou	44,700	3	62,722	172	1: 260	205	1: 218				
Solano	383,600	13	251,759	690	1: 556	942	1: 407				
Sonoma	437,100	29	690,664	1,892	1: 231	2,306	1: 190	2	140,768	386	566
Sonora	427,600	3	37,757	103	1: 4,134	136	1: 3,144	1	13,862	38	36
Stanislaus	76,800	23	711,984	1,951	1: 39	1,927	1: 40	2	43,722	120	131
Sutter	55,400	4	116,860	320	1: 173	408	1: 136				
Tehama	13,250	4	57,627	158	1: 84	180	1: 74	1	21,323	58	67
Trinity	360,400	1	8,931	24	1: 14,729	26	1: 13,862	1	8,931	24	26
Tulare	52,800	18	543,797	1,490	1: 35	2,002	1: 26	5	91,592	251	589
Ventura	730,800	25	574,442	1,574	1: 464	1,891	1: 386				
Yolo	166,800	7	218,026	597	1: 263	798	1: 196	1			66
Yuba	61,400	2	33,420	92	1: 671	97	1: 633				
Total	33,217,810	1,533	38,253,339	104,804	1: 317	127,710	1: 260	6	1,903,410	5,215	7,615

Source: State of California Office of Statewide Health Planning and Development (1997 data)
California Department of Finance -- Demographic Research Unit (Spring 1998 Newsletter)
Based on 268 hospitals and 1,265 long-term care facilities

ATTACHMENT D
PROPOSED PROGRAMS AND SERVICES
LAGUNA HONDA CAMPUS – REPLACEMENT FACILITY

Clinical Services

	Currently on Campus	Place on New Campus	Comments
Acute Care	Yes	Yes	Up to a 30 bed unit
Alzheimer's	No	Yes	Develop inpatient capacity to provide expanded care to persons with Alzheimer's
Dental Clinic	Yes	Yes	
General Medical	Yes	Yes	
Nursing	Yes	Yes	
Respiratory Medicine	Yes	Yes	
Respite Care	No	Yes	
Physical Medicine/ Rehabilitation - Therapy	Yes	Yes	<ul style="list-style-type: none"> • Develop expanded rehabilitation therapy for all residents more than one time per week • Develop an Independent Living/Transitional Skills Training program • Develop massage therapy especially for the mobility-impaired
Psychiatric Services	Yes	Yes	
Sub-specialty Care	Yes	Yes	
Substance Abuse Treatment	Yes	Yes	
Surgical Clinic	Yes	Yes	

Other Clinical Services

	Currently on Campus	Place on New Campus	Comments
EKG	Yes	Yes	
Food Service	Yes	Yes	
Laboratory/ Radiology	Yes	Yes	Expand services in response to acute needs of residents
Medical Records	Yes	Yes	
Morgue	Yes	Yes	
Pastoral Care	Yes	Yes	
Pharmacy	Yes	Yes	

Outpatient Services For Non-Laguna Honda Residents

	Currently on Campus	Place on New Campus	Comments
Adult Day Health (includes Alzheimer's)	Yes	Yes	Expand ADH and the Alzheimer's ADH to serve more people in community
Senior Nutrition	Yes	Yes	Expand program to serve more seniors in community

Outpatient Services and Programs For Laguna Honda Residents

	Currently on Campus	Place on New Campus	Comments
Activity Therapy	Yes	Yes	
Social Services	Yes	Yes	

Patient Activity Areas

	Currently on Campus	Place on New Campus	Comments
Activity Center(s)	Yes	Yes	Expand activities so that they meet resident needs and time activities such that more residents are able to attend
Assembly Hall Theatre	Yes	Yes	

Patient Activity Areas (continued)

Barber/Beauty Shop	Yes	Yes	Expand resident access to services and expand staff and/or volunteers for the program given the current limited staff and hours. Extend hours.
Library	Yes	Yes	
Music Activities	Yes	Yes	Expand the range of musical selections offered under the program to account for the younger resident population
Resident Store/ Convenience Center	Yes	Yes	Expand staff and/or volunteers for the program given the current limited hours. Extend hours.
Soda Fountain(s)	Yes	Yes	Expand staff and/or volunteers for the program given the current limited hours. Extend hours.
Volunteers, Inc. of Laguna Honda Hospital	Yes	Yes	Ensure adequate space for various activities: (1) holiday events, (2) entertainment, (3) transportation, etc.

Recreational Areas

	Currently on Campus	Place on New Campus	Comments
Animal Petting Therapy	Yes	Yes	Increase access to the program by expanding the hours, ensuring that it is more accessible and providing more staff
Aquatic Therapy	Yes	Yes	Expand program by developing a full aquatic program and creating a larger pool
General Recreation	Yes	Yes	Expand services offered and times of day recreation is available
Health Center	No	Yes	Create a health center for residents

Recreational Areas (continued)

Horticulture Therapy	Yes	Yes	Increase access to the program by expanding the hours and ensuring that it is more accessible. Allow for increased gardening and tree cultivation.
Outdoor Space	Yes	Yes	<ul style="list-style-type: none"> Expand outdoor space/sports area for families visiting residents. Have outdoor activities available for children visiting older residents. Create outdoor space for resident dining

Specialized Units

	Currently on Campus	Place on New Campus	Comments
Acute General Medicine	Yes	Yes	
Acute Rehabilitation	Yes	Yes	
Alzheimer's & Related Diseases	Yes	Yes	
General Medicine Psychiatric	No	No	
Gero-psychiatric	No	Yes	Create unit in response to the more acute needs of the resident population
Head Trauma SNF	No	Yes	Recognize that Laguna Honda has this program. However, a specialized unit is recommended.
Hospice/AIDS SNF	Yes	Yes	
Rehabilitation SNF	Yes	Yes	
Sub-Acute SNF	No	Yes	Create unit in response to the more acute needs of the resident population
Ventilator SNF	No	Yes	Create unit in response to more chronic health care needs of resident population

Additional Components

	Currently on Campus	Place on New Campus	Comments
Child Care Center	No	Yes	Develop a child care center for Laguna Honda staff
Gymnasium for Staff	No	Yes	Develop a gymnasium for staff to: (1) provide for physical activity, (2) release stress and (3) address workers' compensation
Kitchen Facility	No	Yes	Create a kitchen facility to allow for: (1) resident/visitor cooking center, (2) catering and (3) teaching area for youth/senior population
Senior Center	Yes	Yes	Expand the senior center to provide additional services and to serve more seniors

Laguna Honda Hospital Current Services and Programs

Patient Services

Audiology	Pastoral Care
Dentistry	Pharmacy
Dietary	Radiology
EKG	Social Services
Laboratory (in conjunction with SFGH)	Volunteer Services
Medical Records	

Therapies

Physical Therapy	Speech Therapy
Occupational Therapy	Audiology
Respiratory Therapy	Activity Therapy

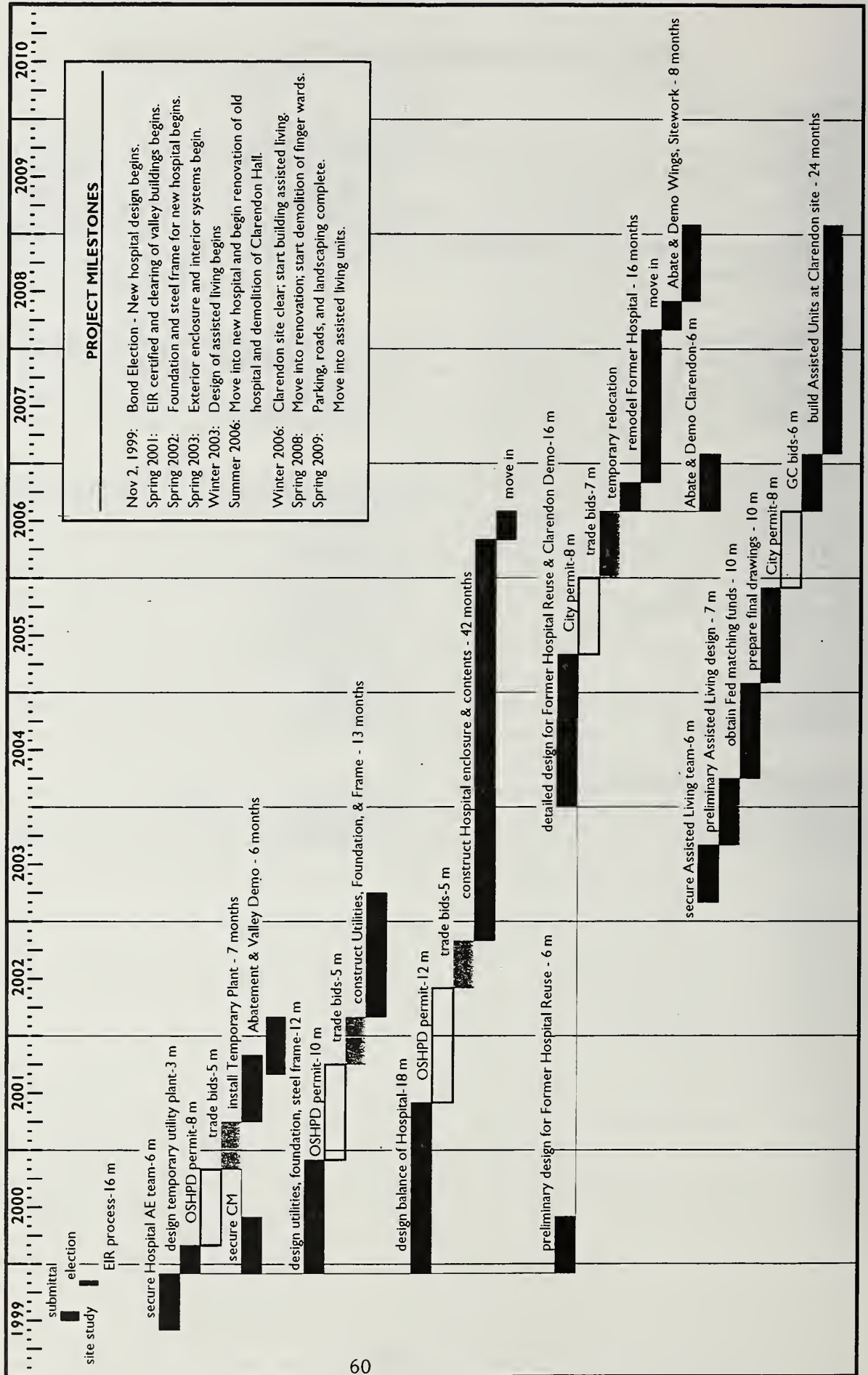
Specialty Clinics

Cardiology	Plastic Surgery
Dermatology	Podiatry
ENT	Psychiatry
Gastro-enterology	Psychology
Hematology/Oncology	Pulmonary
Nephrology	Rheumatology
Neurology	Surgery
Orthopedics	Urology
Physical Medicine	Vascular

Consultation Services

Gynecology	Podiatry
Ophthalmology	Radiology

Laguna Honda Hospital Replacement Master Schedule



**City and County of San Francisco
Laguna Honda Hospital
Capital Financing Options**

4/28/99

	GO Bonds (Fixed Rate) (20 Year)	Lease Revenue Bonds (30 Year)	Difference
Proceeds for Construction	\$ 428,707,487	\$ 428,707,487	\$ -
Plus Capitalized Interest	n/a	68,555,982	(68,555,982)
Plus Reserve Fund	n/a	45,178,213	(45,178,213)
Costs of Issuance	8,337,513	11,748,318	(3,410,805)
Par Amount of Bonds	\$ 437,045,000	\$ 554,190,000	\$ (117,145,000)

Application of Tobacco Settlement Receipts
Best Case = No Haircut
Debt Service on \$428.7MM Project

Year	Debt Service Due	Use of Tobacco Receipts (Best Case)	Ad Valorem Tax	Tax Effect on \$300,000 Home	Tax Effect on \$400,000 Home	Tax Effect on \$1,000,000 Building	Tax Effect on \$5,000,000 Building
1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	-	-	-	-	-	-	-
3	3,120,000	3,120,000	-	-	-	-	-
4	8,656,000	8,656,000	-	-	-	-	-
5	22,143,000	22,143,000	-	-	-	-	-
6	22,143,000	22,143,000	-	-	-	-	-
7	22,143,000	22,143,000	-	-	-	-	-
8	22,143,000	22,143,000	-	-	-	-	-
9	23,163,000	23,163,000	-	-	-	-	-
10	26,222,000	26,222,000	-	-	-	-	-
11	46,172,000	44,809,000	1,363,000	6.95	9.26	23.16	115.78
12	46,175,000	18,850,000	27,325,000	139.27	185.69	464.23	2,321.17
13	46,171,000	19,305,000	26,866,000	136.93	182.57	456.44	2,282.18
14	46,171,000	19,387,000	26,784,000	136.51	182.02	455.04	2,275.21
15	46,166,000	19,470,000	26,696,000	136.06	181.42	453.55	2,267.74
16	46,170,000	19,553,000	26,617,000	135.66	180.88	452.21	2,261.03
17	46,168,000	19,636,000	26,532,000	135.23	180.30	450.76	2,253.81
18	46,171,000	19,719,000	26,452,000	134.82	179.76	449.40	2,247.01
19	46,171,000	19,803,000	26,368,000	134.39	179.19	447.98	2,239.88
20	46,168,000	19,887,000	26,281,000	133.95	178.60	446.50	2,232.49
21	46,166,000	19,972,000	26,194,000	133.51	178.01	445.02	2,225.10
22	46,173,000	20,056,000	26,117,000	133.11	177.48	443.71	2,218.55
23	46,171,000	22,570,000	23,601,000	120.29	160.39	400.97	2,004.83
24	38,337,000	22,666,000	15,671,000	79.87	106.50	266.24	1,331.20
25	6,094,000	6,094,000	-	-	-	-	-
26	6,091,000	6,091,000	-	-	-	-	-
27	6,092,000	6,092,000	-	-	-	-	-
28	6,090,000	6,090,000	-	-	-	-	-
29	6,095,000	6,095,000	-	-	-	-	-
30	-	-	-	-	-	-	-
31	-	-	-	-	-	-	-
32	-	-	-	-	-	-	-
33	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-
36	-	-	-	-	-	-	-
37	-	-	-	-	-	-	-
	\$ 818,745,000	\$ 485,878,000	\$ 332,867,000	\$ 1,697	\$ 2,262	\$ 5,655	\$ 28,276

Moderate Case = 10% Haircut
Debt Service on \$428.7MM Project

Year	Debt Service Due	Use of Tobacco Receipts (Moderate Case)	Ad Valorem Tax	Tax Effect on		Tax Effect on		Tax Effect on	
				\$300,000 Home	\$	\$400,000 Home	\$	\$1,000,000 Building	\$5,000,000 Building
1	\$ -	\$ -	\$ -	-	\$ -	-	\$ -	-	-
2	-	-	-	-	-	-	-	-	-
3	3,120,000	3,120,000	-	-	-	-	-	-	-
4	8,656,000	8,656,000	-	-	-	-	-	-	-
5	22,143,000	22,143,000	-	-	-	-	-	-	-
6	22,143,000	22,143,000	-	-	-	-	-	-	-
7	22,143,000	22,143,000	-	-	-	-	-	-	-
8	22,143,000	22,143,000	-	-	-	-	-	-	-
9	23,163,000	23,163,000	-	-	-	-	-	-	-
10	26,222,000	26,222,000	-	-	-	-	-	-	-
11	46,172,000	27,061,000	19,111,000	97.41	129.87	324.68	1,623.42	1,623.42	1,623.42
12	46,175,000	16,965,000	29,210,000	148.88	198.50	496.26	2,481.30	2,481.30	2,481.30
13	46,171,000	17,375,000	28,796,000	146.77	195.69	489.23	2,446.13	2,446.13	2,446.13
14	46,171,000	17,449,000	28,722,000	146.39	195.19	487.97	2,439.84	2,439.84	2,439.84
15	46,166,000	17,523,000	28,643,000	145.99	194.65	486.63	2,433.13	2,433.13	2,433.13
16	46,170,000	17,597,000	28,573,000	145.63	194.17	485.44	2,427.18	2,427.18	2,427.18
17	46,168,000	17,672,000	28,496,000	145.24	193.65	484.13	2,420.64	2,420.64	2,420.64
18	46,171,000	17,747,000	28,424,000	144.87	193.16	482.91	2,414.53	2,414.53	2,414.53
19	46,171,000	17,823,000	28,348,000	144.48	192.65	481.61	2,408.07	2,408.07	2,408.07
20	46,168,000	17,898,000	28,270,000	144.09	192.12	480.29	2,401.45	2,401.45	2,401.45
21	46,166,000	17,974,000	28,192,000	143.69	191.59	478.96	2,394.82	2,394.82	2,394.82
22	46,173,000	18,051,000	28,122,000	143.33	191.11	477.77	2,388.87	2,388.87	2,388.87
23	46,171,000	20,313,000	25,858,000	131.79	175.72	439.31	2,196.55	2,196.55	2,196.55
24	38,337,000	20,399,000	17,938,000	91.43	121.90	304.76	1,523.78	1,523.78	1,523.78
25	6,094,000	6,094,000	-	-	-	-	-	-	-
26	6,091,000	6,091,000	-	-	-	-	-	-	-
27	6,092,000	6,092,000	-	-	-	-	-	-	-
28	6,090,000	6,090,000	-	-	-	-	-	-	-
29	6,095,000	6,095,000	-	-	-	-	-	-	-
30	-	-	-	-	-	-	-	-	-
31	-	-	-	-	-	-	-	-	-
32	-	-	-	-	-	-	-	-	-
33	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-
36	-	-	-	-	-	-	-	-	-
37	-	-	-	-	-	-	-	-	-
	\$ 818,745,000	\$ 442,042,000	\$ 376,703,000	\$ 1,920	\$ 2,560	\$ 6,400	\$ 32,000	\$ 32,000	\$ 32,000

**Application of Tobacco Settlement Receipts
Very Conservative Case = 25% Haircut
Debt Service on \$428.7MM Project**

Year	Debt Service Due	Use of Tobacco Receipts (Very Conservative Case)	Ad Valorem Tax	Tax Effect on		Tax Effect on		Tax Effect on		Tax Effect on	
				\$	\$	\$300,000 Home	\$400,000 Home	\$1,000,000 Building	\$5,000,000 Building	\$	\$
1	\$ -	\$ -	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-	-	-
3	3,120,000	3,120,000	-	-	-	-	-	-	-	-	-
4	8,656,000	8,656,000	-	-	-	-	-	-	-	-	-
5	22,143,000	22,143,000	-	-	-	-	-	-	-	-	-
6	22,143,000	22,143,000	-	-	-	-	-	-	-	-	-
7	22,143,000	22,143,000	-	-	-	-	-	-	-	-	-
8	22,143,000	22,143,000	-	-	-	-	-	-	-	-	-
9	23,163,000	22,218,000	945,000	-	4.82	-	6.42	16.05	80.27	-	-
10	26,222,000	14,115,000	12,107,000	-	61.71	-	82.28	205.69	1,028.45	-	-
11	46,172,000	14,077,000	32,095,000	-	163.58	-	218.11	545.27	2,726.37	-	-
12	46,175,000	14,137,000	32,038,000	-	163.29	-	217.72	544.30	2,721.52	-	-
13	46,171,000	14,479,000	31,692,000	-	161.53	-	215.37	538.43	2,692.13	-	-
14	46,171,000	14,540,000	31,631,000	-	161.22	-	214.96	537.39	2,686.95	-	-
15	46,166,000	14,602,000	31,564,000	-	160.88	-	214.50	536.25	2,681.26	-	-
16	46,170,000	14,664,000	31,506,000	-	160.58	-	214.11	535.27	2,676.33	-	-
17	46,168,000	14,727,000	31,441,000	-	160.25	-	213.66	534.16	2,670.81	-	-
18	46,171,000	14,789,000	31,382,000	-	159.95	-	213.26	533.16	2,665.80	-	-
19	46,171,000	14,852,000	31,319,000	-	159.63	-	212.84	532.09	2,660.45	-	-
20	46,168,000	14,915,000	31,253,000	-	159.29	-	212.39	530.97	2,654.84	-	-
21	46,166,000	14,979,000	31,187,000	-	158.95	-	211.94	529.85	2,649.24	-	-
22	46,173,000	15,042,000	31,131,000	-	158.67	-	211.56	528.90	2,644.48	-	-
23	46,171,000	16,927,000	29,244,000	-	149.05	-	198.73	496.84	2,484.18	-	-
24	38,337,000	16,999,000	21,338,000	-	108.76	-	145.01	362.52	1,812.59	-	-
25	6,094,000	6,094,000	-	-	-	-	-	-	-	-	-
26	6,091,000	6,091,000	-	-	-	-	-	-	-	-	-
27	6,092,000	6,092,000	-	-	-	-	-	-	-	-	-
28	6,090,000	6,090,000	-	-	-	-	-	-	-	-	-
29	6,095,000	6,095,000	-	-	-	-	-	-	-	-	-
30	-	-	-	-	-	-	-	-	-	-	-
31	-	-	-	-	-	-	-	-	-	-	-
32	-	-	-	-	-	-	-	-	-	-	-
33	-	-	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-	-
36	-	-	-	-	-	-	-	-	-	-	-
37	-	-	-	-	-	-	-	-	-	-	-

Extremely Conservative Case = 40% Haircut
Debt Service on \$428.7MM Project

Year	Debt Service Due	Use of Tobacco Receipts (Extremely Conservative Case)	Ad Valorem Tax	Tax Effect on		Tax Effect on		Tax Effect on	
				\$300,000 Home	\$	\$400,000 Home	\$	\$1,000,000 Building	\$5,000,000 Building
1	\$ -	\$ -	\$ -	-	\$ -	-	\$ -	-	-
2	-	-	-	-	-	-	-	-	-
3	3,120,000	3,120,000	-	-	-	-	-	-	-
4	8,656,000	8,656,000	-	-	-	-	-	-	-
5	22,143,000	22,143,000	-	-	-	-	-	-	-
6	22,143,000	22,143,000	-	-	-	-	-	-	-
7	22,143,000	21,223,000	920,000	4.69	6.25	-	-	-	-
8	22,143,000	14,319,000	7,824,000	39.88	53.17	-	15.63	132.92	78.15
9	23,163,000	12,119,000	11,044,000	56.29	75.05	-	132.92	187.63	664.62
10	26,222,000	11,311,000	14,911,000	76.00	101.33	-	187.63	253.33	938.15
11	46,172,000	11,262,000	34,910,000	177.93	237.24	-	253.33	593.10	1,266.64
12	46,175,000	11,310,000	34,865,000	177.70	236.93	-	593.10	592.33	2,965.49
13	46,171,000	11,583,000	34,588,000	176.29	235.05	-	592.33	587.63	2,961.67
14	46,171,000	11,632,000	34,539,000	176.04	234.72	-	587.63	586.80	2,938.14
15	46,166,000	11,682,000	34,484,000	175.76	234.34	-	586.80	585.86	2,933.98
16	46,170,000	11,731,000	34,439,000	175.53	234.04	-	585.86	585.10	2,929.30
17	46,168,000	11,781,000	34,387,000	175.26	233.69	-	585.10	584.21	2,925.48
18	46,171,000	11,831,000	34,340,000	175.02	233.37	-	584.21	583.41	2,921.06
19	46,171,000	11,882,000	34,289,000	174.76	233.02	-	583.41	582.55	2,917.07
20	46,168,000	11,932,000	34,236,000	174.49	232.66	-	582.55	581.65	2,912.74
21	46,166,000	11,983,000	34,183,000	174.22	232.30	-	581.65	580.75	2,908.24
22	46,173,000	12,034,000	34,139,000	174.00	232.00	-	580.75	580.00	2,903.74
23	46,171,000	13,542,000	32,629,000	166.30	221.74	-	580.00	554.35	2,900.00
24	38,337,000	13,599,000	24,738,000	126.08	168.11	-	554.35	420.28	2,771.73
25	6,094,000	6,094,000	-	-	-	-	420.28	-	2,101.41
26	6,091,000	6,091,000	-	-	-	-	-	-	-
27	6,092,000	6,092,000	-	-	-	-	-	-	-
28	6,090,000	6,090,000	-	-	-	-	-	-	-
29	6,095,000	6,095,000	-	-	-	-	-	-	-
30	-	-	-	-	-	-	-	-	-
31	-	-	-	-	-	-	-	-	-
32	-	-	-	-	-	-	-	-	-
33	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-
36	-	-	-	-	-	-	-	-	-
37	-	-	-	-	-	-	-	-	-
	\$ 818,745,000	\$ 313,280,000	\$ 505,465,000	\$ 2,576	\$ 3,435	\$ 8,588	\$ 42,938		

Estimates & Balances as of May 4, 1998

City and County of San Francisco, Chartered General Obligation Bond Debt Capacity

Property Tax Escalation Factor: 3.00%

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Chartered General Obligation Bond Capacity								
Net Valuation	64,007,968,636	65,938,207,695	67,906,053,926	69,943,235,544	72,041,532,610	74,203,778,588	76,428,861,946	78,721,727,804
3% Cap on Outstanding Obligations	1,920,239,059	1,977,846,231	2,037,181,618	2,098,297,066	2,161,245,978	2,226,083,358	2,292,865,858	2,361,651,834
General Obligation Bonds Issued to Date								
Principal Amount of Bonds Outstanding at each 7/1	815,035,000	774,930,000	732,165,000	688,055,000	641,790,000	589,595,000	535,715,000	486,300,000
Principal Repaid during fiscal year	(40,105,000)	(42,765,000)	(44,110,000)	(46,265,000)	(52,195,000)	(53,880,000)	(49,415,000)	(51,470,000)
Actual Utilized Capacity at each 6/30	774,930,000	732,165,000	688,055,000	641,790,000	589,595,000	535,715,000	486,300,000	434,830,000
Remaining Capacity at each 6/30	1,145,309,059	1,245,681,231	1,349,126,618	1,456,507,066	1,571,650,978	1,690,368,358	1,806,565,858	1,926,821,834
General Obligation Bonds Authorized & Expected to be Issued								
Golden Gate Park Improvements (1992 vote)	-	17,060,000	17,060,000	16,540,000	16,000,000	15,435,000	14,845,000	14,230,000
Seismic Safety Loan Program (1992 vote)	-	-	-	15,750,000	-	15,000,000	15,000,000	14,615,000
Asian Art Museum Project (1994 vote)	-	16,730,000	16,280,000	28,385,000	15,200,000	14,625,000	14,020,000	13,390,000
Steinhardt Aquarium (1995 vote)	-	-	29,245,000	28,385,000	27,450,000	26,475,000	25,455,000	24,390,000
Affordable Housing (1996 vote)	20,000,000	40,000,000	59,485,000	78,430,000	76,805,000	74,575,000	72,220,000	69,725,000
City College & School District (1997 vote)	82,145,000	138,045,000	133,925,000	129,420,000	124,665,000	119,725,000	114,555,000	109,125,000
Zoo Improvements (1997 vote)	17,030,000	47,595,000	46,195,000	44,665,000	43,065,000	41,395,000	39,645,000	37,810,000
Net New Bonds Expected to be Outstanding	119,175,000	259,430,000	302,190,000	313,190,000	303,185,000	307,230,000	295,740,000	283,285,000
Utilized Capacity (Issued + Authorized) at each 6/30	894,105,000	991,595,000	990,245,000	954,980,000	892,780,000	842,945,000	782,040,000	718,115,000
Remaining Expected Capacity at each 6/30	1,026,134,059	986,251,231	1,016,936,618	1,143,317,066	1,268,465,978	1,383,138,358	1,510,825,858	1,643,536,834
General Obligation Bonds Pending Voter Approval								
Laguna Honda Hospital (11/99 anticipated vote)	-	69,340,000	369,060,000	369,060,000	369,060,000	369,060,000	369,060,000	437,045,000
Net Expected to be Outstanding	894,105,000	1,060,935,000	1,359,305,000	1,324,040,000	1,261,840,000	1,212,005,000	1,151,100,000	1,155,160,000
Utilized Capacity (Issued/Authorized/Pending) at each 6/30	894,105,000	1,060,935,000	1,359,305,000	1,324,040,000	1,261,840,000	1,212,005,000	1,151,100,000	1,155,160,000
Remaining Expected Capacity at each 6/30	1,026,134,059	916,911,231	677,876,618	774,257,066	899,405,978	1,014,078,358	1,141,765,858	1,206,491,834

CRITICAL FACTORS:

- 1) Assumes growth in Net Assessed Value over time is level at Property Tax Escalation Factor shown above. A 1% decrease in the growth rate results in a reduction of \$60.4 million in remaining capacity in FY 2001-02.
- 2) Timing of principal repayment depends on interest rates. An increase in interest rates will result in slower repayment of debt and thus a lower amount of remaining debt capacity.
- 3) Timing of new debt issuance is estimated. A faster issuance of new debt may result in less remaining debt capacity.
- 4) Assumes \$115 million of Seismic Safety Bonds is issued in this time period. A greater issuance of Seismic Safety Bonds may result in less remaining debt capacity.

Prepared 5/4/99 14:26

Laguna Honda Hospital
Pro-Forma Operating Analysis

Healthcare Financial Solutions
April 1999



April 19, 1999

Mr. Ken Jensen
Chief Financial Officer
Community Health Network of San Francisco
1001 Potrero Avenue
San Francisco, CA 94110

Dear Mr. Jensen:

In accordance with our engagement letter, we have prepared a pro-forma operating analysis pertaining to the Laguna Honda Hospital (LHH) Facilities Replacement Plan (the Project). This pro-forma operating analysis presents projected operating revenues and expenses for LHH for the five year period ending June 30, 2012.

The scope of our work, further described elsewhere in this report, included among other things, the following:

We analyzed the current and historical utilization patterns of LHH and refined them for the proposed bed configuration based on average occupancy estimates prepared by Healthcare Financial Solutions (HFS) and approved by LHH management. Financial and statistical data bases were analyzed relating to historical and budgeted trends of revenues, expenses, staffing patterns and third-party reimbursement patterns and modified as necessary based on the proposed bed configuration.

We did not complete a market or demand analysis for the Project. We did not ascertain the legal and regulatory requirements applicable to this Project, including zoning, other state and local government regulations, or permits and licenses. Further, no effort has been made to determine the possible effect on the proposed Project on present or future federal, state or local legislation or any environmental or ecological matters.

Our conclusions are based on information developed from research of LHH, knowledge of the industry, meetings with the Finance Sub-Committee, other building replacement committees, and representatives of the Community Health Network of San Francisco (CHN), LHH, and Kaplan McLaughlin Diaz (KMD), the Project architects, during which certain information was provided. The sources of information and the bases of the estimates and assumptions are stated in the body of this report.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying pro-forma operating analysis is based on estimates and assumptions developed during the course of our engagement. However, some assumptions inevitably may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the period covered by the pro-forma operating analysis will vary from our estimates and the variations may be material.

Further, we have not been engaged to evaluate the effectiveness of management, and we are not responsible for management actions upon which actual results will depend.

This pro-forma operating analysis report was prepared solely for the use of CHN and LHH management and for presentation to appropriate city and state officials. Other than these defined uses, neither this report, its contents, nor any reference to our firm may be included, quoted or mentioned in any public document without our prior consent.

Very truly yours,

HEALTHCARE FINANCIAL SOLUTIONS

A handwritten signature in cursive script, reading "Richard A. Gianello".

Richard A. Gianello
President

LAGUNA HONDA HOSPITAL
PRO-FORMA OPERATING ANALYSIS

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BACKGROUND

Laguna Honda Hospital (LHH) is an acute care hospital with a distinct part skilled nursing facility (SNF) that is owned and operated by the City and County of San Francisco. LHH, as the largest provider of long-term care services in the City, plays a pivotal role in meeting the long-term health care needs of its residents. Over the last twelve years, a number of studies have been conducted to continually assess these needs as the senior population in San Francisco increases and to review the role of LHH in this process.

In November 1987, the Report of the Blue Ribbon Committee on Laguna Honda Hospital recommended that LHH initiate the preparation of a Comprehensive Facilities Master Plan with the objective of accommodating future needs. The Master Plan culminated from that recommendation and documents the long-range planning needs for Laguna Honda Hospital.

Based on the original Facilities Master Plan the City considered several alternatives in augmenting LHH's service capabilities. These alternatives included a spectrum of options ranging from re-use of the existing facility to complete replacement. The alternatives were evaluated on the basis of their ability to address the issues of project cost, operational efficiency, disruption to operations, constructibility, capability for expansion, traffic and circulation, and potential impacts on neighborhood and citywide amenities. Based on detailed review by the Hospital Task Force and the Community Advisory Group, Alternative C (Total Replacement) was originally selected as the preferred approach.

Although this Alternative has been modified during the last several years for seismic considerations and with HCFA's concern with the use of open wards and lack of storage and dedicated dining facilities for patients, the basic objective of replacing the entire facility has remained the same. The City has explored several different alternative sites to provide long term care services including the Bayview Hunters Point Shipyard, Treasure Island, Mission Bay and the Public Health Hospital. Since none of these sites was appropriate due to limited space and land costs, the existing site where LHH is currently located was chosen as the most appropriate and cost-effective alternative.

The Laguna Honda Hospital replacement planning committee which comprises several key sub-committees including planning, program, technical build and finance were identified as the group that would make the final recommendations on rebuilding LHH. The committee's recommendations will form the basis for a submission to the Board of Supervisors on the time-line and type of facility that is needed. The Finance Sub-Committee was charged with examining the costs and financing issues related to rebuilding the hospital. As part of this task, the Finance Sub-Committee retained Healthcare Financial Solutions (HFS) to assist with the financial projections and operating pro-forma associated with the new facility.

This pro-forma operating analysis report was prepared to assist LHH with an evaluation of the revenues and expenses associated with hospital operations under the current Facilities Replacement Plan. The general methodology followed in the analysis was to evaluate historical financial trends and, as appropriate, the third-party payment and cost reimbursement relationships experienced by LHH. The pro-forma analysis was based on historical financial information for the fiscal periods ending June 30, 1998 and the six month period ending December 31, 1998, and budgeted financial information for the fiscal period ending June 30, 1999. Information was extracted from audited financial statements, internal financial statements, filed Medicare and Medi-Cal cost reports and various internally generated LHH staffing, financial and statistical reports.

Additionally, interviews were conducted with representatives from the CHN, Finance Sub-Committee and senior management of LHH in order to determine the impact of the proposed bed configuration on departmental staffing, operating revenues and expenses. The specific bases used in projecting the various components of revenues and expenses are described later in the report.

PRO-FORMA OPERATING ANALYSIS

LAGUNA HONDA HOSPITAL
FACILITIES MASTER PLAN
PRO-FORMA OPERATING ANALYSIS
(in Thousands)

PROJECTED FYE:					
	06/30/08	06/30/09	06/30/10	06/30/11	06/30/12
Net Patient Revenue	\$100,912	\$104,514	\$104,740	\$104,875	\$105,011
Other Operating Revenue	<u>259</u>	<u>267</u>	<u>267</u>	<u>267</u>	<u>267</u>
Total Net Revenue	101,171	104,781	105,007	105,142	105,278
Operating Expenses:					
Salaries & Wages	86,289	88,691	90,465	92,274	94,119
Employee Benefits	21,768	22,374	22,822	23,278	23,744
Supplies	13,277	14,061	14,506	14,966	15,440
Services of Other Departments	5,325	5,480	5,639	5,803	5,971
Contracted Services	4,361	4,564	4,696	4,832	4,972
Provision for Bad Debt	732	771	786	802	818
Current Interest Expense	723	723	723	723	723
Start-up Costs	<u>943</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expense	131,753	135,942	138,914	141,955	145,064
Gain (Loss) From Operations	(30,582)	(31,160)	(33,907)	(36,812)	(39,786)
General Fund Contribution					
Current Contribution	19,745	19,745	19,745	19,745	19,745
Cost of Living Adjustments	<u>1,658</u>	<u>1,739</u>	<u>1,774</u>	<u>1,809</u>	<u>1,845</u>
Total Current Contribution and Cost of Living Adjustment	21,402	21,484	21,519	21,554	21,590
Increase (Decrease) in General Fund Contribution	\$9,180	\$9,676	\$12,388	\$15,258	\$18,195

Note: The comments and assumptions contained in this study are an integral part of this projected schedule.

PATIENT UTILIZATION

Routine Utilization

Under the facility plan, the bed capacity at LHH will increase to 1,200 beds. The program allocates 1,150 of the 1,200 beds to general skilled nursing units. The remaining 50 beds are assigned to acute care, rehabilitation, and sub-acute care units. The proposed bed configuration at Laguna Honda Hospital is presented in the following table.

TABLE I
LAGUNA HONDA HOSPITAL
NURSING UNIT BED CONFIGURATION

	PROPOSED BEDS
Total Skilled Nursing Beds	1,150
Total Sub-Acute Beds	30
Total Acute Beds	10
Total Rehab Beds	10
TOTAL BEDS	1,200

All specialty units are included in the skilled nursing bed configuration for the purposes of the pro-forma operating analysis. Financial and statistical data was projected for the fiscal years ending June 30, 2008 through June 30, 2012.

Routine occupancy rates were projected by LHH management in conjunction with HFS based on the nursing unit bed configuration and were used as the basis for the patient day projection. We did not complete a market or demand utilization analysis for the utilization projection. Exhibit I at the end of this report presents patient days as projected.

Although the Facilities Replacement Plan includes provisions for a 50 unit, 100 bed residential care facility (RCF) to be constructed adjacent to the hospital, this program was not incorporated into the pro-forma operating analysis.

Ancillary Utilization

Ancillary utilization was projected based on historical fiscal year ending June 30, 1998 and six months ending December 31, 1998 relationships with routine utilization. These relationships were assumed to be constant for the forecast. The ancillary utilization projections used for projecting revenues and expenses in the pro-forma operating analysis are presented in Exhibit I at the end of this report.

Outpatient Utilization

Outpatient utilization was projected based on historical fiscal year ending June 30, 1998 and six months ending December 31, 1998 relationships with routine utilization. These relationships were assumed to be constant for the recast. The outpatient utilization includes the services of physicians and the adult day care.

NET PATIENT SERVICE REVENUE

Net patient service revenue consists of gross routine and ancillary patient service charges reduced by contractual allowances that result from participation in various third-party payment programs at reduced payment rates. Table II reflects the projected gross patient revenue, contractual allowances and net patient service revenue for LHH during the forecasted period.

TABLE II
LAGUNA HONDA HOSPITAL
PROJECTED NET PATIENT SERVICE REVENUE

	2008	2009	2010	2011	2012
Total Gross Patient Revenue	\$164,576,714	\$173,336,232	\$176,738,025	\$180,207,205	\$183,745,113
Deductions From Revenue	(63,664,469)	(68,822,068)	(71,998,021)	(75,332,334)	(78,734,082)
Total Net Patient Service Revenue	\$100,912,245	\$104,514,164	\$104,740,004	\$104,874,871	\$105,011,031

Routine Service Revenue

LHH's charges for nursing, dietary, and routine care are included in the daily room rates. Revenue from routine services is estimated by multiplying the anticipated average daily room charge for each nursing service area by the projected number of patient days for each year. An overall general inflation factor of 2.0 percent was assumed throughout the pro-forma operating analysis.

Room charges were estimated based on the actual average room rates in place as of December 31, 1998. Table III reflects the anticipated routine charges by service area for LHH.

TABLE III
LAGUNA HONDA HOSPITAL
PROJECTED ROUTINE CHARGES

	2008	2009	2010	2011	2012
Skilled Nursing Services	\$141,584,528	\$149,252,203	\$152,237,247	\$155,281,992	\$158,387,632
Sub-Acute Services	6,223,110	6,493,121	6,558,052	6,623,633	6,689,869
Acute Services	641,544	676,288	689,813	703,610	717,682
Rehab Services	<u>789,802</u>	<u>805,598</u>	<u>821,710</u>	<u>838,144</u>	<u>854,907</u>
Total Routine Charges	\$149,238,984	\$157,227,210	\$160,306,823	\$163,447,379	\$166,650,090

Ancillary Service Revenue

The major components of the ancillary service revenues at LHH are generated in clinical laboratory, pharmacy, central supply, radiology, internal feeding, physical therapy, occupational therapy, respiratory therapy and speech therapy. Ancillary charges are projected based on actual revenues per ancillary statistic for the six months ending December 31, 1998. An ancillary rate increase of 2.00 percent per annum was assumed for the pro-forma operating analysis.

Outpatient Service Revenue

The major components of the outpatient service revenues at LHH are generated for physician services and the adult day care. Outpatient charges are projected based on actual revenues per statistic for the six months ending December 31, 1998. Physician services were based on total patient days and the adult day care was correlated to patient visits. An outpatient rate increase of 2.00 percent per annum was assumed for the pro-forma operating analysis.

Contractual Allowances, Free Services and Other Allowances

Deductions from revenue include contractual allowances, free services and other allowances which result from LHH's participation in various cost reimbursement programs, medical services provided at reduced or no charge, and estimates of uncollectible balances in accounts receivable. The primary component of these deductions from revenue is the contractual allowance which results from the participation by LHH in various programs with third-party payors, primarily Medicare and Medi-Cal. The contractual allowance represents the difference between full charges for services to covered beneficiaries and the actual payments received from the third-parties.

Medicare and Medi-Cal reimbursement regulations have frequently changed in the past depending on State and Federal funding priorities. There is every indication that reimbursement regulations will continue to be modified from time to time in the future. The estimated contractual allowance section of the pro-forma operating analysis was computed based on current interpretations of the Medicare and Medi-Cal regulations. Although we have factored in changes resulting from the Balanced Budget Act of 1997 (BBA), it is likely that these regulations will continually change in the future and any changes could have a material impact on the results projected in the pro-forma operating analysis.

The third-party revenue relationships in Table IV were utilized in projecting the contractual allowances and represent the percentage of gross patient revenue to be derived from each payor source. These percentages were based on gross charges by payor for the six months ending December 31, 1998 as reported in LHH's internal records.

TABLE IV
LAGUNA HONDA HOSPITAL
PROJECTED PATIENT REVENUE PAYOR MIX

Medicare	2.1%
Medi-Cal	96.2%
Private Pay and Other	1.7%
TOTAL	100.0%

Medicare Contractual Allowance

LHH historically was reimbursed for skilled nursing care services by Medicare at the lower of the SNF per diem charges or an allowable cost limit that includes total operating expenses and an allocation of fixed charges. Medicare routine and ancillary net revenues are forecasted based on recently revised reimbursement rates and methodologies as mandated by the Balanced Budget Act of 1997. According to this legislation, nursing facilities will be reimbursed on a prospective payment system (PPS) for all reporting periods ending on or after July 1, 1998. PPS is an acuity-based payment methodology which reimburses nursing services at a flat rate for a given acuity level. The acuity level is determined by a newly developed resource utilization grouping (RUG) called RUG III. This grouping schedule contains forty-four (44) different acuity levels based on activities of daily living (ADL), rehabilitation utilization, and other specific care needs. Under PPS, Medicare payments for both routine and ancillary services will be covered under a single federal PPS rate determined by the RUG grouping. Each of the forty-four (44) rates are broken down into two separate components; a labor component and a non-labor component. Adjustments for geographic location are computed by applying a wage index factor to the labor component and adding it to the non-labor component to compute an indexed rate specific for a given region. By the time the project starts, the skilled nursing services will be reimbursed under a fully implemented PPS rate. In order to forecast a PPS rate for LHH, an extensive study of MDS data was reviewed to determine an average PPS rate. Based on the study, a \$221.28 per diem was calculated from MDS data for six months ending December 31, 1998. This all inclusive rate for routine and ancillary services and capital was increased at 1 percent per year to account for inflation.

The Medicare reimbursement estimates for acute care services were based on regulations established by the Social Security Act Amendments of 1983. It was assumed that LHH would receive DRG payments consistent with the National Adjusted DRG rate as determined by the fiscal intermediary. It was assumed that this rate would also increase at 1.0 percent per annum. It was further assumed that the projected case mix index would remain consistent with historical experience at LHH.

Although the Balanced Budget Act made several substantive changes to the way Medicare reimburses hospitals on an inpatient basis, these changes are not expected to have a material impact on LHH. Some of the changes include the post acute transfer rule which limits hospitals on transferring acute patients to their DP/SNF units. Another change is a reduction in capital from DRG amounts and the re-basing of the DRG payment amount. Because LHH has a minimal amount of Medicare inpatient days (approximately 250 days compared to 203,000 total patient days for six months ending December 31, 1998), these changes are not considered material for purposes of this projection.

Payment for services provided under Medicare Part B are currently made on the basis of the lesser of costs or reasonable charges. HCFA has stated that it is the intention of Congress to include Medicare Part B payments under the prospective payment system. Although outpatient PPS will be implemented in 2001, it is not expected to have a material impact on LHH. As a result and for purposes of this pro-forma, we have projected Medicare Part B payments to similar reimbursement levels experienced in the past.

Rehabilitative care services are reimbursed by Medicare under certain provisions of the Tax Equity and Reform Act of 1982 (TEFRA). LHH is paid an all inclusive rate per discharge that is equivalent to an estimate of actual cost per discharge. The cost per discharge was computed for a base period cost report and is adjusted each year for anticipated inflation. The rate used for the operating pro-forma was drawn from the filed cost report for the fiscal year ending June 30, 1998 and is assumed to increase a rate of 1.0 percent per annum for inflation. Although the Balance Budget Act did impose national limits for acute rehabilitation providers, this is not expected to have a material impact on LHH.

Medi-Cal Contractual Allowance

LHH is reimbursed for skilled nursing care services by Medi-Cal based upon a fixed payment per patient day of \$214.90 which is the maximum amount allowed for Medi-Cal skilled nursing reimbursement. For conservative purposes it was assumed that this rate would not increase throughout the projection period. This is the most critical assumption in the pro-forma operating analysis due to the fact that approximately 96.6 percent of the total patient days at LHH are anticipated to be skilled nursing patient days. In the last five years LHH has not received annual Medi-Cal rate increases for skilled nursing reimbursement since LHH is at the current ceiling. Table V indicates the changes in the per-diem rate over the last eight years. An analysis of the annual percentage increase for Medi-Cal distinct part skilled nursing per diem rates indicated an average annual increase of approximately .33 percent. The sensitivity of this assumption is illustrated by the fact that an annual Medi-Cal rate increase of 1 percent, commencing in 1999, would increase the net patient revenue by approximately \$45 million for the forecasted period.

TABLE V
LAGUNA HONDA HOSPITAL
MEDI-CAL DISTINCT PART SNF PER DIEM LIMITS

Year	Rate	% Change
1991-92	\$209.35	
1992-93	209.65	.14%
1993-94	209.97	.15%
1994-95	214.90	2.35%
1995-96	214.90	0%
1996-97	214.90	0%
1998-99	214.90	0%

The majority of Medi-Cal patients at LHH are also covered under Medicare Part B for ancillary services, so it was assumed for the purposes of the pro-forma operating analysis that there would be additional payments from Medi-Cal for these ancillary services. This revenue source was forecast based on actual results from the six months ending December 31, 1998.

It was assumed that the 30 bed sub-acute program would have 15 beds dedicated to ventilator care and the remaining 15 beds allocated for non-ventilator care. Based the historical payor mix, it was assumed that all the beds would be dedicated to Medi-Cal patients. Sub-acute care in California is reimbursed on a cost-basis with specific cost limits for the ventilator and non-ventilator care. We assumed that LHH would be at cost limit based upon serving a patient base with high acuity needs. The current per-diem reimbursement of \$509.13 for ventilator care and \$484.41 for non-ventilator care were increased on a historical inflation rate of 2.5 percent.

LHH is reimbursed for acute care and rehabilitation services by Medi-Cal through a contract with San Francisco General Hospital. Under this contract, LHH is currently paid an all inclusive rate of \$800.00 per patient day. This rate includes

reimbursement for both routine and ancillary services. For the purposes of the operating pro-forma, it was assumed that this rate would increase by 1 percent per year.

Other Contractual Allowance

A small percentage of patient charges are expected to be funded from private sources or insurance programs. Other contractual allowances were calculated based on gross patient revenue based on actual results for the six months ending December 31, 1998.

Future Changes to Medi-Cal Reimbursement

It should be noted that the state is exploring several alternative reimbursement methodologies for paying both hospital-based and free-standing skilled nursing facilities. Some of the proposed alternatives include a PPS system, a negotiated rate formula, and several hybrid methodologies that incorporate various elements of other payment methods. Any changes in current reimbursement will significantly affect the results of the pro-forma due to several reasons. Since LHH is at the current per-diem ceiling, any changes to the reimbursement system will probably result in lower rates for LHH. Additionally, since LHH has approximately 400,000 Medi-Cal skilled nursing patient days, changes in reimbursement will adversely affect the financial performance of the facility.

OTHER OPERATING REVENUE

The net revenue derived from cafeteria sales, gifts and other non-patient income is included in the operating pro-forma as other operating revenue. The forecasted revenues are based upon the actual historical experience at LHH for the six months ending December 31, 1998 and were assumed to increase with patient utilization.

TOTAL OPERATING REVENUE

Total operating revenue is the sum of net patient service revenue and other operating revenue.

OPERATING EXPENSES

Operating expenses were projected based on LHH's approved budget for the fiscal year ending June 30, 1999 and the actual experience at LHH for the six months ending December 31, 1998. The specific bases for projecting the various components of operating expenses are described in the following paragraphs.

Staffing Requirements

Full-time equivalents (FTES) by job class within each department from actual operating statistics for fiscal year ending June 30, 1999 were used as the basis for the FTE projections. Interviews were conducted with CHN and LHH senior management in order to determine the appropriate staffing levels for the new configuration. The staffing projections were compared to actual and budgeted FTEs so that changes to staffing could be compared to historical trends. Staffing projections were also compared for reasonableness with the staffing levels of other hospital-based skilled nursing facilities and modified accordingly to patient acuity and current level of services provided. In cases where management or external regulatory agencies expected LHH to make operational changes, staffing projections were modified accordingly to reflect these proposed changes. As part of this engagement, a separate staffing analysis was completed by HFS to coincide with the proposed bed configuration. It was determined that in addition to the current staffing levels FTEs would be increased by 19 to accommodate for program changes and skill mix requirements.

Salaries, Wages and Employee Benefits

The fiscal year 1999 budgeted salary per FTE by department was evaluated for reasonableness and used as the basis for the pro-forma operating analysis. Salaries for new positions that were not included in the budget were provided by LHH management or computed as the mid-point of the salary range for that position. Employee groups of job classes were established based on the current labor bargaining agreements in place at LHH. Salaries were inflated at 2 percent based on various anticipated salary increases by employee group that were derived from historical averages of benchmark positions and an evaluation of expected future circumstances. This information was provided by the City of San Francisco Civil Service Commission.

Table VI reflects the anticipated FTE level, total salaries and benefits, average salary and benefit per FTE, and FTE per occupied bed for the projection period.

TABLE VI
LAGUNA HONDA HOSPITAL
STAFFING RATIOS AND WAGES

	1999 (Note 1)	2008 (Note 2)	2009	2010	2011	2012
Full-Time Equivalents	1,538	1,545	1,557	1,557	1,557	1,557
Salaries (in Thousands)	100,775	108,057	111,065	113,286	115,552	117,863
Salary Per FTE	65,523	69,940	71,333	72,759	74,215	75,699
Average Daily Census	1,065	1,113	1,171	1,171	1,171	1,171
FTE Per Occupied Bed	1.44	1.39	1.33	1.33	1.33	1.33

Note 1: Based on LHH Projected Statement of Revenue and Expenses for Year Ending June 30, 1999.

Note 2: Based on assumption that during the six month absorption period that as patient days increase staffing will also increase.

Employee benefits were calculated based upon actual experience for the six months ending December 31, 1998 and were computed at 25.2 percent of salary and wage expense.

Other Operating Expenses

Other operating expenses include supplies, services of other departments, contracted services, the provision for bad debts, current interest expense and start-up costs. The actual six months ending December 31, 1998 was used as the basis for the other operating expense portion of the operating pro-forma analysis. Fixed and variable expense relationships were adjusted for utilization and were derived from the actual results for the same period. These relationships were used to adjust supplies, professional fees and purchased services expense to reflect changes in patient utilization volume and square footage where appropriate. Other operating expenses were assumed to increase at a 2.9 percent per annum inflation rate and seven percent for pharmaceuticals based on a forecast of inflation rates by "Rate Control," a healthcare economic forecasting service. The provision for bad debt was calculated as a percentage of the net patient revenue based upon actual experience for the six-months ending December 31, 1998. The start-up costs are the expenses associated with training employees for the new facility and equipment systems as required by regulatory

agencies and was based upon the actual costs incurred at a hospital in Santa Clara County.

GAIN (LOSS) FROM OPERATIONS

Gain or Loss from operations is the difference between total net revenue and total operational expenses.

NONOPERATING REVENUE AND EXPENSES (not included as part of the pro-forma)

The State of California provides funds to assist local municipalities and county health departments. This State funding was not included in the pro-forma operating analysis. Additionally, there is anticipation that the County may receive some tobacco tax revenue in the future. This revenue source was not forecast in this information of the pro-forma operating analysis.

GENERAL FUND CONTRIBUTION

The City of San Francisco provides sufficient cash annually to fund the operating deficit at LHH as determined by the City budgeting procedures. The City subsidy was calculated as total net revenue plus nonoperating revenue minus total operating expense. For the purposes of this report, the General Fund Contribution was separated into two categories including the Current General Fund Contribution and the Cost of Living Adjustments for LHH employees. These two sources were then subtracted from the Gain or Loss from Operations to forecast the incremental General Fund Contribution that was required for the Project.

INCREASE (DECREASE) IN GENERAL FUND CONTRIBUTION

This category forecasts the incremental increase or decrease in General Fund Contributions related to the Project. As forecasted, there are additional increases in the funding ranging from \$9.2 million in Fiscal Year 2008 to \$18.2 million in Fiscal Year 2012.

DEPRECIATION EXPENSE

Depreciation expense was calculated on the building, fixed equipment and movable equipment. Building and fixed equipment depreciation was calculated on a Project costs of \$423,707,000 and expensed on a weighted straight line basis over 30 years which assumed buildings are depreciated over 40 years and fixed equipment over 20 years. The depreciation related to the new building and associated fixed equipment was estimated based on the total project cost as provided by KMD. The estimate of total cost for movable equipment was provided by a healthcare appraisal firm and provided to Healthcare Financial Solutions. The cost estimate for moveable equipment was forecast at \$7,500 per bed based on industry averages. Movable equipment was depreciated over an average life of 10 years. The following table reflects the estimated costs for the various components of the project that were used in the depreciation expense calculation.

TABLE VII
LAGUNA HONDA HOSPITAL
ESTIMATED DEPRECIATION EXPENDITURES

Construction and Fixed Equipment	\$14,123,567
Major Movable Equipment	900,000
Existing Depreciation and Amortization Expense	1,637,223
Total Depreciation Expense 80	\$16,660,790

EXHIBIT I
ROUTINE AND ANCILLARY UTILIZATION BY DEPARTMENT

EXHIBIT I
LAGUNA HONDA HOSPITAL
FACILITIES REPLACEMENT PLAN
ROUTINE AND ANCILLARY UTILIZATION

		PROJECTED FYE:				
DEPARTMENT NAME	STATISTIC	06/30/08	06/30/09	06/30/10	05/30/11	06/30/12
ROUTINE UTILIZATION:						
SKILLED NURSING	SNF PD	402,088	415,553	415,553	415,553	415,553
SUB-ACUTE	SUB-ACUTE	10,282	10,662	10,662	10,662	10,662
ACUTE - MEDICAL	ACUTE PD	626	647	647	647	647
REHAB - ACUTE	REHAB PD	<u>672</u>	<u>672</u>	<u>672</u>	<u>672</u>	<u>672</u>
SUB-TOTAL ROUTINE		413,667	427,492	427,492	427,492	427,492
ANCILLARY UTILIZATION:						
LABORATORY	TESTS	35,953	37,155	37,155	37,155	37,155
ELECTROCARDIOLOGY	PROCEDURES	622	643	643	643	643
RADIOLOGY	PROCEDURES	3,006	3,106	3,106	3,106	3,106
RESPIRATORY THERAPY	TREATMENTS	16,273	16,817	16,817	16,817	16,817
PHYSICAL THERAPY	TREATMENTS	5,745	5,937	5,937	5,937	5,937
OCCUPATIONAL THERAPY	TREATMENTS	6,923	7,154	7,154	7,154	7,154
SPEECH THERAPY	SESSIONS	1,763	1,822	1,822	1,822	1,822

Laguna Honda Hospital
City and County of San Francisco
Forecasted Statement of Revenue and Expenses
For Fiscal Years Ending June 30.

SCENARIO - 2% INCREASE IN MEDICAL REVENUE INFLATION

ATTACHMENT J

	2008	2009	2010	2011	2012
Total Net Patient Revenue	\$115,438	\$121,534	\$123,822	\$126,031	\$128,342
Total Other Operating Revenue	259	267	267	267	267
Total Net Revenue	115,697	121,801	124,090	126,328	128,610
Operating Expenses					
Salaries & Wages	86,289	88,691	90,465	92,274	94,119
Benefits	21,768	22,374	22,822	23,278	23,744
Supplies	13,277	4,061	14,506	14,966	15,440
Services of Other Departments	5,325	5,480	5,639	5,803	5,971
Contracted Services	4,361	4,564	4,696	4,832	4,972
Provision for Bad Debts	732	771	786	802	818
Current Interest Expense	723	723	723	723	723
Start-up Costs	943	0	0	0	0
Total Operating Expenses	131,753	135,942	138,914	141,955	145,064
Gain (Loss) From Operations	(16,056)	(14,140)	(4,825)	(15,627)	(16,454)
General Fund Contribution					
Current Contribution	19,745	19,745	19,745	19,745	19,745
Cost of Living Adjustments	1,658	1,733	1,774	1,809	1,845
Total Current Contribution and Cost of Living Adjustments	21,402	21,484	21,519	21,554	21,590
Increase (Decrease) in General Fund Contribution	(5,347)	(7,344)	(6,694)	(5,920)	(5,136)

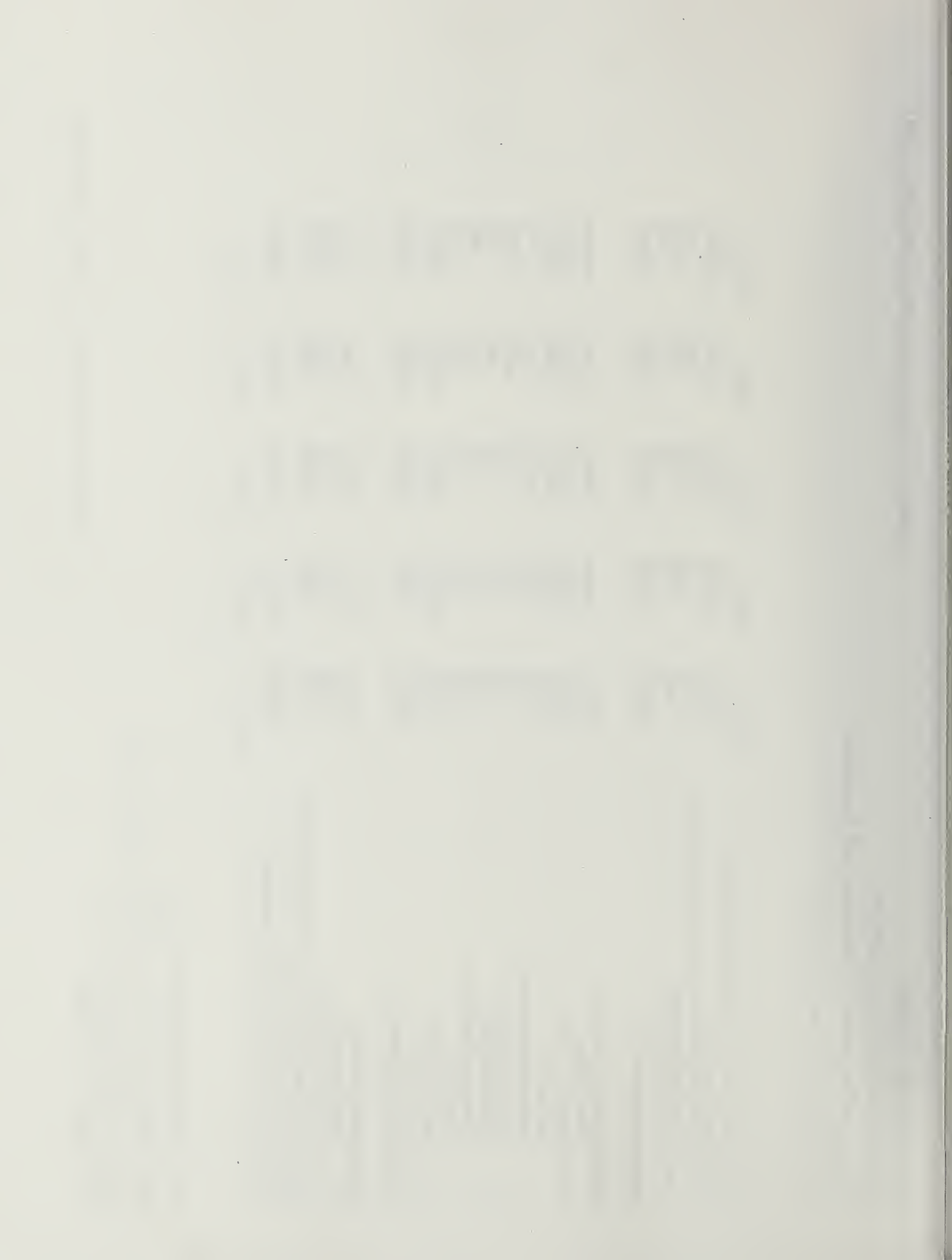
Laguna Honda Hospital
City and County of San Francisco
Forecasted Statement of Revenue and Expenses
For Fiscal Years Ending June 30,

	<u>2,008</u>	<u>2,009</u>	<u>2,010</u>	<u>2,011</u>	<u>2,012</u>
Total Net Patient Revenue	\$96,738	\$100,204	\$100,430	\$100,565	\$100,701
Total Other Operating Revenue	<u>259</u>	<u>267</u>	<u>267</u>	<u>267</u>	<u>267</u>
Total Net Revenue	<u>96,997</u>	<u>100,472</u>	<u>100,697</u>	<u>100,832</u>	<u>100,969</u>
Operating Expenses					
Salaries & Wages	86,289	88,691	90,455	92,274	94,119
Benefits	21,768	22,374	22,822	23,278	23,744
Supplies	13,277	14,061	14,506	14,966	15,440
Services of Other Departments	5,325	5,480	5,639	5,803	5,971
Contracted Services	4,361	4,564	4,696	4,832	4,972
Provision for Bad Debts	732	771	786	802	818
Current Interest Expense	723	723	723	723	723
Start-up Costs	<u>943</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	<u>131,753</u>	<u>135,942</u>	<u>138,914</u>	<u>141,955</u>	<u>145,064</u>
Gain (Loss) From Operations	(34,756)	(35,470)	(38,217)	(41,122)	(44,096)
General Fund Contribution					
Current Contribution	19,745	19,745	19,745	19,745	19,745
Cost of Living Adjustments	<u>1,658</u>	<u>1,739</u>	<u>1,774</u>	<u>1,809</u>	<u>1,845</u>
Total Current Contribution and Cost of Living Adjustments	<u>21,403</u>	<u>21,484</u>	<u>21,519</u>	<u>21,554</u>	<u>21,590</u>
Increase (Decrease) in General Fund Contribution	13,354	13,986	16,698	19,568	22,505

Laguna Honda Hospital
City and County of San Francisco
Forecasted Statement of Revenue and Expenses
For Fiscal Years Ending June 30,

SCENARIO - FLAT MEDICAL RATE WITH 10% REDUCTION IN YEAR 1

	2,008	2,009	2,010	2,011	2,012
Total Net Patient Revenue	\$92,554	\$95,895	\$96,120	\$96,255	\$96,391
Total Other Operating Revenue	<u>259</u>	<u>267</u>	<u>267</u>	<u>267</u>	<u>267</u>
Total Net Revenue	<u>92,822</u>	<u>96,162</u>	<u>96,388</u>	<u>96,523</u>	<u>96,659</u>
Operating Expenses					
Salaries & Wages	86,289	88,691	90,465	92,274	94,119
Benefits	21,768	22,374	22,822	23,278	23,744
Supplies	13,277	14,061	14,505	14,966	15,440
Services of Other Departments	5,325	5,480	5,639	5,803	5,971
Contracted Services	4,361	4,564	4,695	4,832	4,972
Provision for Bad Debts	732	771	786	802	818
Current Interest Expense	723	723	723	723	723
Start-up Costs	<u>942</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	<u>131,753</u>	<u>135,942</u>	<u>138,914</u>	<u>141,955</u>	<u>145,054</u>
Gain (Loss) From Operations	(38,930)	(39,780)	(42,527)	(45,432)	(48,405)
General Fund Contribution					
Current Contribution	19,745	19,745	19,745	19,745	19,745
Cost of Living Adjustments	<u>1,658</u>	<u>1,739</u>	<u>1,774</u>	<u>1,809</u>	<u>1,845</u>
Total Current Contribution and Cost of Living Adjustments	<u>21,402</u>	<u>21,484</u>	<u>21,519</u>	<u>21,554</u>	<u>21,590</u>
Increase (Decrease) in General Fund Contribution	17,528	18,296	21,008	23,878	26,815



LEGISLATIVE DIGEST
May 5, 1999

FILE NO. _____

BOND SPECIAL ELECTION (DEPARTMENT OF PUBLIC HEALTH)
CALLING AND PROVIDING FOR A SPECIAL ELECTION TO BE HELD IN THE CITY
AND COUNTY OF SAN FRANCISCO ON TUESDAY, NOVEMBER 2, 1999, FOR THE
PURPOSE OF SUBMITTING TO THE VOTERS OF THE CITY AND COUNTY OF
SAN FRANCISCO A PROPOSITION TO INCUR BONDED AND/OR OTHER
EVIDENCES OF INDEBTEDNESS OF THE CITY AND COUNTY IN THE PRINCIPAL
AMOUNT OF \$437,045,000 FOR THE ACQUISITION, CONSTRUCTION AND/OR
RECONSTRUCTION OF A HEALTH CARE AND ASSISTED LIVING OR OTHER
TYPE OF CONTINUING CARE FACILITY OR FACILITIES TO REPLACE LAGUNA
HONDA HOSPITAL; PROVIDING FOR THE USE OF TOBACCO SETTLEMENT
REVENUES AND FOR THE USE OF STATE AND/OR FEDERAL FUNDS RECEIVED
BY THE CITY AND COUNTY THAT ARE DESIGNATED TO FUND SUCH NEW
FACILITY OR FACILITIES; FINDING THAT THE ESTIMATED COST OF SUCH
PROPOSED PROJECT IS AND WILL BE TOO GREAT TO BE PAID OUT OF THE
ORDINARY ANNUAL INCOME AND REVENUE OF THE CITY AND COUNTY AND
WILL REQUIRE EXPENDITURES GREATER THAN THE AMOUNT ALLOWED
THEREFOR BY THE ANNUAL TAX LEVY; RECITING THE ESTIMATED COST OF
SUCH PROPOSED PROJECT; FIXING THE DATE OF ELECTION AND THE
MANNER OF HOLDING SUCH ELECTION AND THE PROCEDURE FOR VOTING
FOR OR AGAINST THE PROPOSITION; FIXING THE MAXIMUM RATE OF
INTEREST ON SUCH BONDS OR OTHER EVIDENCES OF INDEBTEDNESS AND
PROVIDING FOR THE LEVY AND COLLECTION OF TAXES TO PAY BOTH
PRINCIPAL AND INTEREST THEREOF; PRESCRIBING NOTICE TO BE GIVEN OF

SUCH ELECTION; ESTABLISHING THE ELECTION PRECINCTS, VOTING PLACES AND OFFICERS FOR ELECTION FOR THE SPECIAL ELECTION; AND WAIVING THE WORD LIMITATION ON BALLOT PROPOSITIONS IMPOSED BY SAN FRANCISCO MUNICIPAL ELECTIONS CODE SECTION 510.

The City owns Laguna Honda Hospital, located at 375 Laguna Honda Boulevard. The hospital dates back to 1866 with many of its current facilities built between 1926 and 1940. In 1963, Laguna Honda was formally accredited as a hospital facility. Laguna Honda currently provides long term care services to its residents, including skilled nursing, Aids, dementia, hospice, rehabilitation, and acute care. Each resident at Laguna Honda is cared for by an interdisciplinary care team which members include a doctor, a medical social worker, an activity therapist, a dietician, and nursing staff. In addition, the Hospital provides services such as Adult Health Care and a Senior Nutrition Program for members of the community.

The hospital buildings were damaged in the 1989 Loma Prieta earthquake. In addition, the hospital's building systems, including fire safety and electrical, are old and in need of replacement and repair.

This ordinance calls for a special election to be held on November 2, 1999. The purpose of the special election is to submit to the voters a proposition to incur bonded and/or other evidences of indebtedness of the City and County in the principal amount of \$437,045,000 for the acquisition, construction and/or reconstruction of a health care and assisted living or other type of continuing care facility or facilities to replace the existing Laguna Honda Hospital and all other works, property and structures necessary or convenient for the foregoing purposes, including, without limitation, funding for infrastructure needed to serve the facility or facilities and for other improvements to the facility or facilities in the areas appurtenant to, or which provide access to, such new facility or facilities. This ordinance also provides that all of the net proceeds of any tobacco settlement revenues received by the City and County, and any state and/or

federal funds received by the City and County that are designated to be used to fund the construction, and/or reconstruction of Laguna Honda Hospital, shall be (i) used to pay all or a portion of the principal and/or interest on the debt authorized hereby and/or (ii) applied to pay all or a portion of the construction and/or reconstruction costs of such facility or facilities thereby proportionately reducing the amount of indebtedness that would have been issued and used to pay construction and/or reconstruction costs.

The ordinance also defines tobacco settlement revenue as revenues actually received by the City and County pursuant to the 1998 Master Settlement Agreement which may be used under applicable law for the purposes contemplated in the ordinance.

Before approving the ordinance, the Board at a prior meeting must adopt by 8 or more votes a separate resolution making the public interest and necessity findings required to submit the measure to the electors of the City and County. In that resolution, the Board must fix the estimated costs of the project and the maximum interest rate of the bonds and/or other evidences of indebtedness. The Board must also find that the costs of the project are too great to be paid out of the ordinary annual income and revenue of the City and County in addition to the other annual expenses or other funds derived from taxes for those purposes and will require expenditures greater than the amount allowed for such purposes by the annual tax levy.

The ordinance fixes the date of the special election and sets forth certain procedures for the election. The ordinance specifies how the wording of the proposition would appear on the ballot. The word limit for the proposition imposed by Municipal Elections Code Section 510 is also waived.

In order to be adopted, the proposition to incur general obligation indebtedness must be approved by two-thirds of the qualified electors, voting on the proposition.

The ordinance fixes the maximum rate of interest on the bonds or other evidences of indebtedness at 12% and provides for the levy and collection of taxes to pay both principal and interest on the debt.

1 [Laguna Honda General Obligation Debt]

2 DETERMINING AND DECLARING THAT THE PUBLIC INTEREST AND NECESSITY
3 DEMAND THE ACQUISITION, CONSTRUCTION AND/OR RECONSTRUCTION BY THE
4 CITY AND COUNTY OF SAN FRANCISCO OF A HEALTH CARE AND ASSISTED LIVING
5 OR OTHER TYPE OF CONTINUING CARE FACILITY OR FACILITIES TO REPLACE
6 LAGUNA HONDA HOSPITAL AND ALL OTHER WORKS, PROPERTY AND STRUCTURES
7 NECESSARY OR CONVENIENT FOR THE FOREGOING PURPOSES, INCLUDING
8 FUNDING FOR INFRASTRUCTURE OR OTHER IMPROVEMENTS TO SUCH NEW
9 FACILITY OR FACILITIES IN THE AREAS APPURTENANT TO, OR WHICH PROVIDE
10 ACCESS TO, SUCH NEW FACILITY OR FACILITIES, AND THAT THE ESTIMATED COST
11 OF \$437,045,000 FOR SUCH MUNICIPAL IMPROVEMENTS IS AND WILL BE TOO GREAT
12 TO BE PAID OUT OF THE ORDINARY ANNUAL INCOME AND REVENUE OF THE CITY
13 AND COUNTY AND WILL REQUIRE THE INCURRING OF BONDED AND/OR OTHER
14 EVIDENCES OF INDEBTEDNESS.

15 RESOLVED, By the Board of Supervisors of the City and County of San Francisco:

16 Section 1. It is hereby determined and declared that the public interest and necessity
17 demand the acquisition, construction and/or reconstruction by the City and County of
18 San Francisco of a health care and assisted living or other type of continuing care facility or
19 facilities to replace Laguna Honda Hospital and all other works, property and structures
20 necessary or convenient for the foregoing purposes, including funding for infrastructure or
21 other improvements to such new facility or facilities in the areas appurtenant to, or which
22 provide access to, such new facility or facilities.

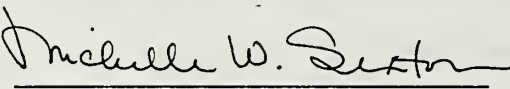
23 Section 2. The estimated cost of such municipal improvements is \$437,045,000,
24 including legal or other fees incidental to or connected with the authorization, issuance and
25 sale of the bonds or other evidences of indebtedness and the costs of printing the bonds or

1 other evidences of indebtedness and other costs and expenses incidental to or connected
2 with the authorization, issuance and sale of the bonds or other evidences of indebtedness.
3 The cost of such improvements is and will be too great to be paid out of the ordinary annual
4 income and revenue of the City and County and will require an expenditure greater than the
5 amount allowed therefor by the annual tax levy, and will require the incurrence of bonded
6 and/or other evidences of indebtedness in the amount of not to exceed \$437,045,000.

7 Section 3. This resolution shall take effect immediately.

8
9 APPROVED AS TO FORM:

10 LOUISE H. RENNE
11 City Attorney

12 By: 
13 MICHELLE W. SEXTON
14 Deputy City Attorney

1 [Bond Special Election]

2 CALLING AND PROVIDING FOR A SPECIAL ELECTION TO BE HELD IN THE CITY AND
3 COUNTY OF SAN FRANCISCO ON TUESDAY, NOVEMBER 2, 1999, FOR THE PURPOSE
4 OF SUBMITTING TO THE VOTERS OF THE CITY AND COUNTY OF SAN FRANCISCO A
5 PROPOSITION TO INCUR BONDED AND/OR OTHER EVIDENCES OF INDEBTEDNESS
6 OF THE CITY AND COUNTY IN THE PRINCIPAL AMOUNT OF \$437,045,000 FOR THE
7 ACQUISITION, CONSTRUCTION AND/OR RECONSTRUCTION OF A HEALTH CARE AND
8 ASSISTED LIVING OR OTHER TYPE OF CONTINUING CARE FACILITY OR FACILITIES
9 TO REPLACE LAGUNA HONDA HOSPITAL; PROVIDING FOR THE USE OF TOBACCO
10 SETTLEMENT REVENUES AND FOR THE USE OF STATE AND/OR FEDERAL FUNDS
11 RECEIVED BY THE CITY AND COUNTY THAT ARE DESIGNATED TO FUND SUCH NEW
12 FACILITY OR FACILITIES; FINDING THAT THE ESTIMATED COST OF SUCH PROPOSED
13 PROJECT IS AND WILL BE TOO GREAT TO BE PAID OUT OF THE ORDINARY ANNUAL
14 INCOME AND REVENUE OF THE CITY AND COUNTY AND WILL REQUIRE
15 EXPENDITURES GREATER THAN THE AMOUNT ALLOWED THEREFOR BY THE
16 ANNUAL TAX LEVY; RECITING THE ESTIMATED COST OF SUCH PROPOSED
17 PROJECT; FIXING THE DATE OF ELECTION AND THE MANNER OF HOLDING SUCH
18 ELECTION AND THE PROCEDURE FOR VOTING FOR OR AGAINST THE PROPOSITION;
19 FIXING THE MAXIMUM RATE OF INTEREST ON SUCH BONDS AND/OR OTHER
20 EVIDENCES OF INDEBTEDNESS AND PROVIDING FOR THE LEVY AND COLLECTION
21 OF TAXES TO PAY BOTH PRINCIPAL AND INTEREST THEREOF; PRESCRIBING
22 NOTICE TO BE GIVEN OF SUCH ELECTION. ESTABLISHING THE ELECTION
23 PRECINCTS, VOTING PLACES AND OFFICERS FOR THE ELECTION; AND WAIVING
24 THE WORD LIMITATION ON BALLOT PROPOSITIONS IMPOSED BY SAN FRANCISCO
25 MUNICIPAL ELECTIONS CODE SECTION 510.

DEPARTMENT OF PUBLIC HEALTH
BOARD OF SUPERVISORS

1 Be it ordained by the People of the City and County of San Francisco:

2 Section 1. A special election is hereby called and ordered to be held in the City and
3 County of San Francisco on Tuesday, the 2nd day of November, 1999, for the purpose of
4 submitting to the electors of the City and County a proposition to incur bonded and/or other
5 evidences of indebtedness of the City and County of San Francisco for the Project hereinafter
6 described in the amount and for the purposes stated:

7 LAGUNA HONDA HOSPITAL, 1999. To incur bonded and/or other evidences of
8 indebtedness of \$437,045,000 for the acquisition, construction and/or reconstruction of a
9 health care and assisted living or other type of continuing care facility or facilities to replace
10 Laguna Honda Hospital and all other works, property and structures necessary or convenient
11 for the foregoing purposes, including, without limitation, funding for infrastructure needed to
12 serve the facility or facilities and for other improvements to the facility or facilities in the areas
13 appurtenant to, or which provide access to, such new facility or facilities (the "Project"),
14 provided that all of the net proceeds of any tobacco settlement revenues received by the City
15 and County, and any state and/or federal funds received by the City and County that are
16 designated to be used to fund the Project, shall be (i) used to pay all or a portion of the
17 principal and/or interest on the debt authorized hereby and/or (ii) applied to pay all or a
18 portion of the construction and/or reconstruction costs of the Project thereby proportionately
19 reducing the amount of indebtedness that would have been issued and used to pay
20 construction and/or reconstruction costs.

21 The special election hereby called and ordered shall be referred to herein as the "Bond
22 Special Election."

23 Section 2. For purposes of this ordinance, the term tobacco settlement revenue is
24 defined as revenues actually received by the City and County pursuant to the 1998 Master

25 ///

DEPARTMENT OF PUBLIC HEALTH
BOARD OF SUPERVISORS

1 Settlement Agreement and which may be used under applicable law for the purposes
2 contemplated herein.

3 Section 3. The estimated costs of the Project described in Section 1 hereof were fixed
4 by the Board of Supervisors by the following resolution and in the amount specified below:

5 General Obligation Bonds, Resolution No. _____,
6 \$437,045,000.

7 Such resolution was passed by two-thirds or more of the Board of Supervisors and
8 approved by the Mayor. In such resolution it was recited and found that the estimated cost of
9 said Project is and will be too great to be paid out of the ordinary annual income and revenue
10 of the City and County in addition to the other annual expenses of the City and County and
11 will require expenditures greater than the amount allowed therefor by the annual tax levy and
12 will require the issuance of bonds and/or other evidences of indebtedness of the City and
13 County not exceeding the principal amount specified.

14 Such estimate of cost as set forth in such resolution is hereby adopted and determined
15 to be the estimated cost of such improvements and financing.

16 Section 4. The Bond Special Election shall be held and conducted and the votes
17 thereat received and canvassed, and the returns thereof made and the results thereof
18 ascertained, determined and declared as herein provided and in all particulars not herein
19 recited such election shall be held according to the laws of the State of California and the
20 Charter of the City and County of San Francisco providing for and governing elections in the
21 City and County of San Francisco, and the polls for such election shall be and remain open
22 during the time required by such laws.

23 Section 5. The Bond Special Election is hereby consolidated with the Consolidated
24 General Election scheduled to be held in the City and County of San Francisco on Tuesday,
25 November 2, 1999. The voting precincts, polling places and officers of election for the

1 November 2, 1999 Consolidated General Election are hereby adopted, established,
2 designated and named, respectively, as the voting precincts, polling places and officers of
3 election for the Bond Special Election hereby called, and reference is hereby made to the
4 notice of election setting forth the voting precincts, polling places and officers of election for
5 the November 2, 1999 Consolidated General Election by the Director of Elections to be
6 published in the official newspaper of the City and County on the date required under the
7 laws of the State of California.

8 Section 6. The ballots to be used at the Bond Special Election shall be the ballots to
9 be used at the November 2, 1999 Consolidated General Election. The word limit for the ballot
10 proposition imposed by San Francisco Municipal Elections Code Section 510 is hereby
11 waived. On the ballots to be used at the Bond Special Election, in addition to any other
12 matter required by law to be printed thereon, shall appear the following:

13 "LAGUNA HONDA HOSPITAL, 1999. Shall the City and County incur \$437,045,000 of
14 bonded and/or other evidences of indebtedness for the acquisition, construction and/or
15 reconstruction of a new health care and assisted living or other type of continuing care facility
16 or facilities to replace Laguna Honda Hospital and all other works, property and structures
17 necessary or convenient for the foregoing purposes, including funding for infrastructure
18 needed to serve the facility or facilities and for other improvements to the facility or facilities in
19 the areas appurtenant to, or which provide access to, such new facility or facilities (the
20 "Project"), provided that all of the net proceeds of any tobacco settlement revenues received
21 by the City and County, and any state and/or federal funds received by the City and County
22 that are designated to be used to fund the Project, shall be (i) used to pay all or a portion of
23 the principal and/or interest on the debt authorized hereby and/or (ii) applied to pay all or a
24 portion of the construction and/or reconstruction costs of the Project thereby proportionately
25 ///

1 reducing the amount of indebtedness that would have been issued and used to pay
2 construction and/or reconstruction costs?"

3 Each voter to vote in favor of the issuance of the foregoing bond proposition shall
4 punch the ballot card in the hole after the word "YES" to the right of the proposition, and to
5 vote against the proposition shall punch the ballot card in the hole after the word "NO" to the
6 right of the proposition. If and to the extent that a numerical or other system is used at such
7 special election, each voter to vote in favor of the proposition shall mark the ballot card or
8 equivalent device after the number or in the location corresponding to a "YES" vote for the
9 proposition and to vote against the proposition shall mark the ballot card or equivalent device
10 after the number or in the location corresponding to a "NO" vote for the proposition.

11 Section 7. If at the Bond Special Election it shall appear that two-thirds of all the voters
12 voting on such proposition voted in favor of and authorized the incurring of bonded and/or
13 other evidences of indebtedness for the purposes set forth in such proposition, then such
14 proposition shall have been accepted by the electors, and bonds and/or evidences of
15 indebtedness authorized thereby shall be issued upon the order of the Board of Supervisors.
16 Such bonds and/or evidences of indebtedness shall bear interest at a rate not to exceed
17 twelve percent (12%) per annum.

18 The votes cast for and against the proposition shall be counted separately and when
19 two-thirds of the qualified electors, voting on the proposition, vote in favor thereof, the
20 proposition shall be deemed adopted.

21 Section 8. For the purpose of paying the principal and interest on the debt, the Board
22 of Supervisors shall, at the time of fixing the general tax levy and in the manner for such
23 general tax levy provided, levy and collect annually each year until such bonds and/or other
24 evidences of indebtedness are paid, or until there are sufficient sums set apart for that
25 purpose to meet all sums coming due for the principal and interest on such debt, a tax

1 sufficient to pay the annual interest on such debt as the same becomes due and also such
2 part of the principal thereof as shall become due before the proceeds of a tax levied at the
3 time for making the next general tax levy can be made available for the payment of such
4 principal.

5 Section 9. The Board of Supervisors hereby acknowledges receipt of findings by the
6 City and County Planning Department that the Bond Special Election is in conformity with the
7 priority policies of Section 101.1(b) of the City and County Planning Code and with the City
8 and County's General Plan, as set forth in a letter dated April 27, 1999 on file with the Clerk
9 of the Board of Supervisors in File No. _____.

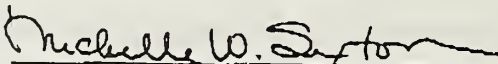
10 Section 10. This ordinance shall be published once a day for at least seven (7) days in
11 the official newspaper of the City and County and such publication shall constitute notice of
12 the election and no other notice of the election hereby called need be given.

13 Section 11. The appropriate officers, employees, representatives and agents of the
14 City and County of San Francisco are hereby authorized and directed to do everything
15 necessary or desirable to accomplish the calling and holding of the Bond Special Election,
16 and to otherwise carry out the provisions of this ordinance.

17
18 APPROVED AS TO FORM:

19 LOUISE H. RENNE
20 City Attorney

21
22 By:


23 MICHELLE W. SEXTON
24 Deputy City Attorney
25

DEPARTMENT OF PUBLIC HEALTH
BOARD OF SUPERVISORS

Laguna Honda Hospital Replacement Planning

Community Education and Outreach Issues

- Potential Consultant/Pro Bono Services
- Media/Press Packet
 - Fact Sheet
 - List of Committee Members
 - Plan Summary
 - Pictures of New Design
 - County Comparison
 - Visual of Long-Term Care Options for San Francisco
 - Frequently Asked Questions and Answers
- Bi-Weekly Updates
- Speakers Bureau
 - Consumers/LHH Residents and Family/Former Residents
 - Neighborhood Organizations
 - LHH Volunteers
 - Community-Based Providers
 - Hospital Providers
 - Pro Bono Consultants: Architectural, Financial Construction
 - Business
 - City and County: DPH, City Attorney, City Architect, Mayor's Office
 - LHH Staff
- LHH Tours
- Other Education and Outreach Proposals



**LAGUNA HONDA HOSPITAL REPLACEMENT
REVISED MEETING SCHEDULE (4/21/99)**

PLANNING COMMITTEE <i>(Every 2nd Tuesday of Month)</i>		
Date	Time	Location
02/09/99	3:00 - 5:00pm	Main Library, Latino/Hispanic Comm. Rm.
02/23/99	1:00 - 3:00pm	LHH, Simon Auditorium
03/09/99	1:00 - 3:00pm	25 Van Ness, Room 330A
03/23/99	1:00 - 3:00pm	LHH, Third Floor Library
04/13/99	* 1:00 - 4:00pm	25 Van Ness, Room 330A
04/19/99	1:00 - 3:00pm	25 Van Ness, Room 330A
04/27/99	1:00 - 3:00pm	25 Van Ness, Room 330A (CANCELLED)
05/11/99	1:00 - 3:00pm	Main Library, Latino/Hispanic Comm. Rm.
06/08/99	1:00 - 3:00pm	25 Van Ness, Room 330A
07/13/99	1:00 - 3:00pm	25 Van Ness, Room 330A
08/10/99	1:00 - 3:00pm	25 Van Ness, Room 330A
09/14/99	1:00 - 3:00pm	25 Van Ness, Room 330A
10/12/99	1:00 - 3:00pm	25 Van Ness, Room 330A
11/09/99	1:00 - 3:00pm	25 Van Ness, Room 330A
12/14/99	1:00 - 3:00pm	25 Van Ness, Room 330A

TECHNICAL SUB-COMMITTEE <i>(No longer meeting -- completed its work)</i>		
Date	Time	Location
02/17/99	3:00 - 5:00pm	25 Van Ness, Room 330B
02/24/99	3:00 - 5:00pm	25 Van Ness, Room 330B
03/03/99	* 3:30 - 5:30pm	25 Van Ness, Room 330B
03/10/99	3:00 - 5:00pm	25 Van Ness, Room 330B
03/17/99	3:00 - 5:00pm	25 Van Ness, Room 330B
03/24/99	3:00 - 5:00pm	25 Van Ness, Room 330B (CANCELLED)
03/31/99	3:00 - 5:00pm	25 Van Ness, Room 330B (CANCELLED)
04/07/99	3:00 - 5:00pm	25 Van Ness, Room 330B
04/14/99	3:00 - 5:00pm	25 Van Ness, Room 330A
04/21/99	3:00 - 5:00pm	25 Van Ness, Room 330B (CANCELLED)
04/28/99	3:00 - 5:00pm	25 Van Ness, Room 330A (CANCELLED)

PROGRAM SUB-COMMITTEE*(No longer meeting -- completed its work)*

Date	Time	Location
02/17/99	9:00 - 11:00am	1380 Howard, CSAS 4th Floor Conf. Rm.
02/24/99	10:00 - 12noon	LHH, Room B102
03/03/99	10:00 - 12noon	LHH, Room B102
03/10/99	10:00 - 12noon	LHH, Room B102
03/17/99	10:00 - 12noon	LHH, Room B102
03/24/99	10:00 - 12noon	LHH, Room B102
03/31/99	10:00 - 12noon	LHH, Room B102
04/07/99	10:00 - 12noon	LHH, Room B102 (CANCELLED)
04/14/99	10:00 - 12noon	LHH, Room B102
04/21/99	10:00 - 12noon	LHH, Room B102 (CANCELLED)
04/28/99	10:00 - 12noon	LHH, Room B102 (CANCELLED)

FINANCE SUB-COMMITTEE*(No longer meeting -- completed its work)*

Date	Time	Location
02/19/99	9:00 - 11:00am	101 Grove, Room 220
02/25/99	10:00-12noon	25 Van Ness, Room 330B
03/04/99	1:00 - 3:00pm	25 Van Ness, Training Room, 5th Floor
03/11/99	1:00 - 3:00pm	25 Van Ness, Room 330B
03/18/99	1:00 - 3:00pm	101 Grove, Room 220
03/25/99	1:00 - 3:00pm	101 Grove, Room 220 (CANCELLED)
04/01/99	1:00 - 3:00pm	101 Grove, Room 220 (CANCELLED)
04/08/99	1:00 - 3:00pm	101 Grove, Room 220 (CANCELLED)
04/15/99	1:00 - 3:00pm	CHN Room 2001, 2789 - 25th Street
04/22/99	1:00 - 3:00pm	25 Van Ness, Room 330B (CANCELLED)
04/29/99	1:00 - 3:00pm	25 Van Ness, Room 330B (CANCELLED)

JOINT SUB-COMMITTEE MEETINGS*(No Standard Day)*

Date	Time	Location
03/18/99	2:00 - 3:00pm	101 Grove, Room 220 (Finance & Technical)
03/25/99	3:00 - 5:00pm	101 Grove, Room 220 (CANCELLED)
04/15/99	3:00 - 6:00pm	CHN Room 2001, 2789 - 25th Street

LAGUNA HONDA HOSPITAL REPLACEMENT PLANNING

Frequently Asked Questions and Answers

(to be reviewed and modified by
Laguna Honda Replacement Planning Committee)

Laguna Honda Hospital and Rehabilitation Center

1. *I don't know anything about Laguna Honda. Can you tell me what it is and how many people it serves?*

Laguna Honda Hospital and Rehabilitation Center is a unique long-term skilled nursing facility. It cares for frail elderly and also for younger residents with nerve diseases, such as multiple sclerosis, head injured patients and those suffering from AIDS. It serves approximately 1100 residents – it serves a broader spectrum of patients than do some other nursing facilities. Depending on their specific needs, Laguna Honda residents may stay for a few months or many years. The campus has two buildings – a main hospital and Clarendon Hall. Laguna Honda Hospital is owned and operated by the City and County.

2. *What type of people live in Laguna Honda?*

Laguna Honda provides restorative and rehabilitative care to frail elderly and disabled adults. Demographically, 56% of Laguna Honda residents are women and 44% are men. The average age of Laguna Honda resident is 72 with over 52% of the residents being age 75 years or older.

All Laguna Honda residents have functional impairments which prevent them from performing basic activities of daily living, such as bathing, dressing, eating and using the facilities. Laguna Honda residents need extensive help with their daily activities, are less mobile and have special care needs. In addition, many Laguna Honda residents have chronic medical conditions which are associated with age and disability. A significant portion of Laguna Honda's resident population have either behavioral or psychiatric diagnoses which compound their medical illness.

Almost all Laguna Honda residents receive Medi-Cal (97%). Medi-Cal pays for skilled nursing care for this population. Medi-Cal is funded by the state and federal governments.

3. *Why does the City own Laguna Honda anyway? Can't private providers care for the elderly and disabled?*

Laguna Honda has a long tradition of service to San Francisco. It began in 1866 as a shelter for the City's unemployed and homeless men. During the late 1860's, Laguna Honda was used to treat patients with small pox and starting in the 1920's, it began providing hospital and rehabilitation services.

Laguna Honda does not provide all of the skilled nursing care in the City. Care for elderly and disabled are provided by all three sectors – private, non-profit and government. Laguna Honda has approximately one-third of all skilled nursing beds

in the City with 1100 out of a total of 3600 beds in San Francisco. The remaining two-thirds are provided by private and for profit agencies and non-profit agencies. In general, Laguna Honda Hospital cares for individuals who are not cared for by other providers because their clinical needs may be more complex than other providers can accommodate.

In addition, reimbursement for Medi-Cal reimbursement may discourage private providers from providing skilled nursing care. While Medi-Cal pays for skilled nursing facility care, it is not required to pay for the total costs of providing this service. As a result, some providers have chosen not to care for persons receiving Medi-Cal and many entities have chosen not to develop skilled nursing facility beds because of the low reimbursement.

4. What is the nursing staff for Laguna Honda? Is this expected to change?

Nursing staff at Laguna Honda include registered nurses, licensed vocational nurses and certified nursing assistants. There is high level of nursing staff at Laguna Honda to assist residents in performing basic activities of daily living such as bathing, dressing, eating and using the facilities. At this time, the Hospital is not anticipating changing the resident to nurse ratio.

5. Is it advantageous to combine Laguna Honda's operating license with San Francisco General Hospital's?

The City and County is looking into the feasibility and appropriateness of operating both of its hospitals – San Francisco General Hospital and Laguna Honda – under the same hospital license. They are currently not under the same license. There are many state and federal requirements which must be addressed because the hospitals serve different populations and are not near each other.

Why Rebuild Laguna Honda Hospital

6. Why does the City need to rebuild Laguna Honda?

The City and County must rebuilt Laguna Honda because it does not comply with federal standards regarding skilled nursing facility. Specifically, the bedrooms at Laguna Honda must be rebuilt to accommodate no more than four individuals per room. Currently, the Hospital has wards which accommodate 26 individuals per room. In order to keep Laguna Honda open as a community resource, the federal government has instructed us to rebuild the facility or face possible closure. In addition, because Laguna Honda is an old facility (the buildings are 70 – 90 years old), it does not meet seismic safety standards and must be replaced.

The 70 and 90-year-old buildings do not meet current seismic design standards. The only beds that must close (or be replaced) by 2008, because of Senate Bill 1953, are the acute care beds at Laguna Honda. Senate Bill 1953 specifically exempts skilled nursing facilities (in order to avoid having to rebuild state owned long term care facilities for community use after an earthquake). It is true, however, that the remodeling necessary to meet State and Federal requirements would

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precipitate seismic remodeling which would be prohibitively expensive and which would, ultimately, leave the facility far short of the number of beds needed.

7. *Is the federal government and/or State still threatening closure of Laguna Honda or to rescind its license?*

The federal government has the ability to rescind Laguna Honda's license and/or close the facility. We are working to ensure that this does not happen. The federal government requested that the number of patients residing at Laguna Honda be reduced. The City has complied with that request. It is our understanding that the federal and state licensing agencies will be visiting May 1998. The City and County has been working diligently to address all concerns that the federal and state governments may have with respect to activities space, dining space and bedroom privacy issues.

8. *What happens if the City does not rebuild Laguna Honda?*

The federal government has already required the City and County to reduce the number of residents at Laguna Honda Hospital. In July 1998, the City and County was asked not to accept any new residents into the Hospital until the number of residents living at Laguna Honda was reduced by 100. As a result, as opposed to 1166 individuals residing at Laguna Honda, currently 1065 reside at the Hospital. If the Hospital is not rebuilt, the City and County is concerned that the federal government will ask for further reductions in the number people who reside at Laguna. This will have a tremendous impact on our ability to continue providing this valuable service. Some individuals who appropriately need Laguna Honda will not be able to be placed on the campus.

9. *Has the moratorium on new admissions at Laguna Honda impacted and/or burdened the health care system in any way?*

Yes, the moratorium on new admissions at Laguna Honda has impacted the health system. The moratorium means that Laguna Honda cannot accept new patients. Under the moratorium, Laguna Honda can only have 1065 residents. It can only accept new patients, as long as the total number of patients is less than 1065. This is a 100-person reduction in the total number of residents at the Hospital. As a result of the moratorium, acute care hospitals, such as San Francisco General, are unable to place individuals needing skilled nursing care at Laguna Honda. When they are unable to place an individual at Laguna Honda, that person remains in the acute care hospital. However, this person is not in need of acute but of skilled nursing care. If the acute care hospital has a new patient and needs to place that person in an acute care bed, they may be unable to do so because that bed may be occupied by someone who needs skilled nursing care but cannot be placed at Laguna Honda.

10. *Has the City looked at replacing Laguna Honda before? If so, what did you find?*

Yes, the City and County has looked at replacing Laguna Honda before. In 1994, a proposal was brought forth to replace the Hospital. The proposal was not placed before the voters as a result of other competing demands on the November 1994



ballot. In 1998, a proposal was again brought forth, but it was not placed before the voters due to concerns over how the project would be funded by San Francisco taxpayers.

11. Is it possible to advocate to the State and federal government for changes to statutory programs and reimbursements for facilities such as Laguna Honda?

The City and County is working with its California and Washington, D.C., delegations on a variety of legislative and funding solutions to rebuild Laguna Honda. It is not possible to change the licensing requirements for Laguna Honda specifically since the skilled nursing facility requirements are in federal law and monitored by the State.

Alternatives to Replacement

12. Why can't the City just contract with other skilled nursing facilities to provide this care or send individuals to reside in a nearby county?

Laguna Honda Hospital provides care to almost 1100 residents – it supplies one-third of all skilled nursing beds in the City and County. The City and County receives most of its funding from the State and federal government to provide services for individuals residing at Laguna Honda. There are currently no other skilled nursing facilities in San Francisco which could care for Laguna Honda residents. These facilities do not have the capacity to care for additional residents and may not have the capacity to care for individuals who have complex and substantial clinical care needs. As a general policy, we believe it is important for individuals to age in their community where they are closer to families and friends. If Laguna Honda residents were sent to other skilled nursing facilities in neighboring counties, there is a concern that they would be isolated and removed from families and friends. This can have a negative impact on their quality of life. Also, there are not enough facilities in the State to place 1100 residents if Laguna Honda Hospital were closed

13. What about purchasing and renovating other hospitals or long-term care institutions?

In 1997, the West Bay Hospital Conference, which is comprised of all San Francisco acute care hospitals, explored the possibility of converting empty acute care beds into skilled nursing facility beds. At that time, 271 beds were identified for potential conversion in San Francisco. However, it is projected that the majority of these beds are no longer available given that acute care hospital beds are almost full and some hospitals are regularly diverting new patients to other hospitals when they have no available beds.

14. Why can't you use empty beds in acute care hospitals for skilled nursing care? Have you looked into the availability of this option?

There are different licensing, space and staffing requirements for acute care beds and skilled nursing beds. They are not interchangeable. In addition, while acute care beds can be converted into skilled nursing, currently, there are very few empty acute care beds available in San Francisco.

15. *Are there any options for long-term care other than Laguna Honda? Where does the City go to place frail elderly and disabled persons if there is no Laguna Honda?* Long term care services can be based in the community or in a hospital. There are an array of community based long-term care services for elderly and disabled adults who may reside at home or in the community. These services include adult day health, nutrition services, transportation services, etc. All these services are designed to enable elderly and disabled adults to live in the community longer and not be placed in a skilled nursing facility.

However, some frail elderly and disabled adults will need skilled nursing facility care as they age or become more disabled. At that point, their health is compromised if they are not placed in a hospital which can provide 24-hour care. Laguna Honda provides one-third of the skilled nursing beds in San Francisco and is for persons who cannot be cared for in the community. The remaining two-thirds of San Francisco's skilled nursing facility beds are provided by either private or non-profit providers.

It is important to note that City and County does not place individuals in Laguna Honda or other skilled nursing facilities. Frail elderly and disabled adults are placed in Laguna Honda at the request of friends or family, or if the person has no other options. If Laguna Honda is not replaced, some elderly and disabled persons may be placed in skilled nursing facilities in other counties and not in San Francisco. In addition, some individuals may simply not get the services that they need and fail at home without support.

16. *What about developing the Laguna Honda site at 'market rates' and using proceeds to rebuild Laguna Honda on other City land?*

The City previously looked at this issue in developing the 1994 proposal to replace Laguna Honda. At that time, estimates were that selling the land would net \$30 million. While the land is unquestionably worth more money now, if the City were to sell the land, we would have identify another piece of land and purchasing it to develop a new campus. This would substantially delay the project. Because construction costs increase as the length of the project increases, there would be additional costs attributable to the new site. In addition, there is no other large piece of land to place the campus on.

Program Issues

17. *How many beds will the rebuilt Hospital have?*

The recommendation is that the new Laguna Honda have 1200 skilled nursing facility beds. Rebuilding Laguna Honda with 1200 beds is not an increase in the number of skilled nursing beds since the Hospital currently has the capacity to 1200 persons. This proposal will preserve the existing number of skilled nursing beds in San Francisco for frail elderly and disabled adults.

18. *What services and programs do people receive at Laguna Honda Hospital now? What will they receive in the rebuild Hospital?*

Laguna Honda provides a range of clinical (medical, nursing, rehabilitative, social and nutritional care), functional, psychosocial and residential care needs for the frail elderly and disabled population. Laguna Honda residents receive a full range of inpatient care services, and therapy (physical, occupational, respiratory, speech, auditory and activity). There are several specialty clinics designed to meet the chronic health needs of older adults. These clinics provide such services as cardiology, dermatology, podiatry, and urology. The recommendation is that all current services continue on the campus and that some services be expanded.

19. *Will there be any assisted living at Laguna Honda Hospital?*

Yes. The recommendation is that at least 140 units of assisted living be placed on the Laguna Honda campus to provide a continuum of housing options available for elderly and disabled adults. The proposal is to place the assisted living units on the current site of Clarendon Hall. Assisted living is housing with extensive support services to allow individuals to live as independently as possible. Assisted living would be available for certain individuals instead of placing them in a skilled nursing facility.

20. *Is the proposed facility consistent with emphasizing maximum use of home care?*

Yes. We believe that the facility is consistent with emphasizing the maximum use of home-care. The facility will be designed for those who cannot be cared for in their homes or in the community. Our goal is to ensure that individuals who can be cared for in the community and have resources available (that is, housing and services) are not inappropriately placed in Laguna Honda.

21. *Why do we need to design a new Laguna Honda with a less restrictive care environment?*

Individuals in skilled nursing facilities have an improved quality of life if the facility they are in promotes independence and stresses mobility. While an individual may reside in a skilled nursing facility, they are motivated by the same type of environment as is someone who is not in a skilled nursing facility – namely, the ability to have spontaneity, keep themselves self-interested, have companionship and be engaged about life and the community surrounding them. A least restrictive care environment can offer this.

Technical and Build Issues

22. *How long will it take to rebuild Laguna Honda Hospital?*

It is estimated that it will take 7 years to rebuild Laguna Honda Hospital. After the Hospital is built, then construction will begin on the assisted living units. The City has reduced the projected amount of time it will take to replace the facility – approximately 18 months have been taken off of the original project completion timeframe.

23. *How do you know that the City will need a new Laguna Honda Hospital by the time that it is built? It might be obsolete!*

We clearly do not want this to happen, but it is important to note that Laguna Honda is currently obsolete and beyond its useful life. The new facility will be designed to meet the future needs of persons requiring skilled nursing facility care. In addition, we already know that more skilled nursing beds will be needed than we have. In 2010, it is projected that San Francisco will have a deficit of 637 skilled nursing beds and this will increase to 2,380 by the year 2020. We are rebuilding Laguna Honda to address the increasing demand for skilled nursing care.

24. *Will the replacement be one large hospital or multiple smaller hospitals?*

The proposal is for one skilled nursing facility that will be no more than seven stories high. The new skilled nursing facility will have 1200 beds. At least 140 assisted living units are also being recommended on the campus. If more than one skilled nursing facility is built on the campus, then there would not be enough space to put assisted living on the campus.

25. *There is a lot of open space around Laguna Honda Hospital. Are you planning on using any part of that for the rebuilding?*

Laguna Honda sits on 62 acres of land. The current City zoning is that 50% of the land be designed as open space and the remaining 50% be designated as buildable public use. The project proposal for rebuilding Laguna Honda does not recommend any changes or reductions in the open space. The overall appearance of the Laguna Honda campus would still have an abundance of mature trees and other vegetation.

26. *Can the old buildings be used for something like homeless shelters instead of tearing them down? What about a childcare center, housing for employees, aquatic program, etc.?*

The proposal is to retain of the front portion of Laguna Honda Hospital for administrative functions. The portions of building that house residents must be replaced. They do not meet seismic standards and cannot be used for other purposes. The proposed programming for the Hospital recommends a child care center for hospital staff and expanded an aquatics program for residents in the new building.

27. *Why can't the City just renovate Laguna Honda – retrofit the existing buildings? This may cost less. Does it really need to be rebuilt? What is the cost per bed of retrofitting Laguna Honda?*

Retrofitting for hospital or skilled nursing use is prohibitively expensive. Old materials (concrete and reinforcing steel of very low strength the type used for Laguna Honda) often cannot be combined or adhered successfully to new materials to attain the seismic strength required by state regulations. Retrofitting is not preferred because of the following reasons:

- the testing of steel bars requires extensive jack hammering which will be disruptive to patients in nearby units,

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- the process of reconstruction requires the closure of a substantial number of beds for each period of repair that may last as long as two years -- the entire project would take nearly 12 years and be very costly, both for the cost of the work and the inflation incurred for the extended schedule of construction,
- if the entire building was remodeled and each nursing unit was brought up to code there would be a 40% loss in the number of beds at the facility -- the units would have fewer patients and would be more expensive to staff and
- given newly enacted State standards and required details of construction, it will not be cost effective to upgrade the existing buildings and perhaps not feasible to obtain State approvals.

28. Are there alternatives to replacing Laguna Honda at the same location?

There is very little remaining space available for development in San Francisco given the relative small size and existing density of the City and County. Specifically four other areas: Bayview Hunters Point Shipyard, Treasure Island, Mission Bay and the Public Health Hospital were examined. None of these spaces will be able to accommodate the safety, space or transportation needs for the campus. Below is a brief discussion of the sites:

- Bayview Hunters Point Shipyard: This area contains substantial soil and ground water contamination. The Shipyard is currently under the control of the U.S. Navy, and the Navy's clean-up of the site is projected to take many years. Thus, it would take longer to develop a new hospital at the Shipyard than at the current Laguna Honda site.
- Treasure Island: Treasure Island is also under the control of the U.S. Navy, although the City and County has plans for its reuse and civilian leasing is beginning. Access to the island is constrained however, and land is subject to the Tidelands Trust. There is no remaining space on the island to accommodate Laguna Honda.
- Mission Bay: This area, like Treasure Island, is in the process of being developed and the land has been designated for development and other services.
- Public Health Hospital: This hospital was vacated by the federal government. It does not have adequate space to accommodate a 1200 bed facility. In addition, there is no easy transportation to this area. The hospital has also been vandalized, is in need of extensive repairs and does not comply with seismic safety standards.

Finance and Cost Issues

29. How much will it cost to rebuild Laguna Honda? What is the cost per bed?

Constructing the new hospital and allocating funding for assisted living will costs an estimated \$428,707,487. The estimated total project costs, including financing of \$8,337,513 is \$437,045,000 million. The estimated cost per bed is \$327,100 (cost of 1200 beds at \$392,571,000).

30. Can the project's capital costs be reduced?



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The project's capital costs have been reduced from the 1998 proposal by approximately \$89 million. The project costs were reduced by shortening the length of time it would take to construct the new hospital and conforming some aspects of the program to Veteran Administration standards for skilled nursing facilities.

31. Where will the money come from to rebuild Laguna Honda?

The City and County is investigating all options for financing Laguna Honda. The City and County recognizes that the more outside funds that we have available to rebuild Laguna the less funding we will need from local tax payers. The proposed sources of funds for the rebuilding of Laguna Honda are the City's tobacco settlement revenue; federal and state funds; and local funds.

It is recommended that all tobacco settlement funds received by the City and County of San Francisco should be dedicated for the construction of a new Laguna Honda. The tobacco settlement requires the nation's major tobacco companies to provide payments to states and to restrict their marketing activities. The payments are in perpetuity. The estimated payment to San Francisco from the tobacco settlement is \$585 million for the first 25 years. Tobacco settlement receipts are recommended to be used for debt service on construction, equipment and other related financing costs as the first and primary source to pay off capital costs of the project.

The proposal is to have the tobacco funds (to the extent that they are received) pay for the interest in the beginning years of the project so that the property taxes would not be incurred until the project is completed. In this manner, the taxpayer would see a direct correlation between the increase in property taxes and a new skilled nursing facility.

The entire principal and interest that will be paid on this project is anticipated at \$818.7 million using current interest rate assumptions. Application of tobacco settlement funds would reduce the remaining amount of the debt service which must be paid for by ad valorem taxes (i.e., property tax). With more tobacco receipts available to cover the debt service there is a reduction in the amount paid by property taxes. However, the tobacco settlement funds will not cover the entire principal and interest due and a portion of those costs will need to be covered with local support.

In addition to the tobacco settlement funds, the Department of Public Health has been working with its legislative delegation in Sacramento and in Washington, D.C. to determine if there are State and/or federal funds available to pay for a portion of the replacement costs. On the federal level, the City and County has made a request to the Health Resources Services Agency (under the federal Department of Health and Human Services) for \$9 million. These funds would come from a recently created capital program within HRSA and would fund a portion of the first phase which involves destroying the central plant in the Clarendon Valley and developing a temporary structure during the construction period. If approved, these funds could potentially be received by the City and County in a lump-sum amount.

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This would reduce the amount of construction funds that the City and County would need to borrow by \$9 million.

On the state level, we are working closely with our delegation on a mechanism that will provide for additional reimbursement to Laguna Honda to cover the debt service. Due to State and federal appropriations and budgeting processes, the Department cannot indicate definitively that the City will or will not receive additional funds from these sources. The State budget process should be finalized in June 1999 to start the July 1, 1999 to June 30, 2000 fiscal year while the federal budget process should be finalized in September 1999 to start the federal fiscal year of October 1, 1999 to September 30, 2000. As a result, the Department could not factor in any potential funding from these sources into its financial analysis. However, if the funds are received, then they would be applied to reduce the debt service on the bonds and/or reduce the amount the City and County would need to borrow.

32. How much will rebuilding Laguna Honda cost me as a taxpayer?

The tax effect of this bond issuance has been calculated for the following property values: (1) \$300,000 home, (2) \$400,000 home, (3) \$1,000,000 building and (4) \$5,000,000 building. According to the Controller's Office, the median assessed value of homes in San Francisco is \$300,000. The estimated total paid in property taxes over the life of the bonds (26 years) would be \$4,173 for a home with an assessed value of \$300,000 if no tobacco receipts were applied to offset the debt service. Table provides the application of the tobacco settlement based on a home with an assessed value of \$300,000 and assumes that 75% of the tobacco settlement money is actually received and that \$376.9 million is applied to debt service. As can be seen, application of tobacco settlement receipts would lower the impact to San Francisco homeowners.

Application of Tobacco Settlement Receipts
(Receive 75% of Tobacco Receipts and Apply \$376.9 million to Debt Service)

Assessed Property Value	Net Debt Service	Tobacco Receipts Applied	Ad Valorem Tax	Tax Effect
\$300,000 Home	\$818,745,000	\$376,872,000	\$441,873,000	\$163.58 maximum annual impact; total paid over period is \$2,252
\$400,000 Home	\$818,745,000	\$376,872,000	\$441,873,000	\$218.11 maximum annual impact; total paid over period is \$3,003
\$1,000,000 Building	\$818,745,000	\$376,872,000	\$441,873,000	\$545.27 maximum annual impact; total paid over period is \$7,507
\$5,000,000 Building	\$818,745,000	\$376,872,000	\$441,873,000	\$2,726.37 maximum annual impact; total paid over period is \$37,536

33. Have we made an aggressive and exhaustive search of all sources of funds?

The City and County is undertaking an exhaustive search of all revenue sources. We are actively working with our California legislative delegation and our

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Washington, D.C., delegation to assist the City and County in identifying potential sources of dollars to help cover the cost of construction.

34. What is the availability of SB1732 program funding?

The City and County is working with its California legislative delegation to determine the feasibility of reopening the California Senate Bill 1732 program. The SB 1732 allowed certain hospitals to receive reimbursement for some of the debt service costs for construction, renovation or replacement. The program was closed in June 1994 and had several requirements. One requirement was that the hospital serve a disproportionate number of Medi-Cal and indigent care recipients. Laguna Honda Hospital does not meet that criteria, however, the City's other hospital, San Francisco General Hospital, does.

35. Has any consideration been given to partially finance the replacement of Laguna Honda through additional uses at the Forest Hills site?

The proposal does recommend an additional use for the Forest Hills site other than skilled nursing. In addition to the skilled nursing facility, the recommendation is to have assisted living on the Forest Hills site for elderly and disabled adults. Currently, no private development is recommended for this site.

36. Will rebuilding Laguna Honda Hospital require a bond and will this go before San Francisco voters?

A bond measure will be required to rebuild Laguna Honda. This will go before the San Francisco voters for approval. The approval is for the issuance of general obligation bonds. In order to place this before the voters, it must be approved by the Board of Supervisors. If approved by the Board, this measure would be placed before the voters on the November 1999 ballot.

37. Has the City and County set priorities for the use of all general obligation bonds?

There is an official process for placing a general obligation bond before the voters for approval. Any potential general obligation bond issuance must go before the City's Capital Improvement Advisory Committee and the Board of Supervisors for approval before being placed on the ballot. The City's Capital Improvement Advisory Committee has approved the Laguna Honda Hospital Replacement proposal. It is anticipated that the Board will consider the proposal in early June 1999.

38. What is the cost if San Francisco is unable to provide this skilled nursing care? Is it more than the estimated costs of replacing the facility?

Laguna Honda provides \$121 million of skilled nursing health care services each year to approximately 1100 residents. No other facility exists in San Francisco that can service the Laguna Honda residents. If San Francisco does not provide skilled nursing care, then the 1100 frail elder and disabled adults will not receive appropriate clinical, functional and psychosocial care services when they are no longer able to care for themselves. There will be significant human cost and reduction in quality of life if residents who need skilled nursing care are not able to

receive that care. It is not possible to place a dollar value on this and compare it to the cost of replacing Laguna Honda.

39. What is the current funding stream for skilled nursing care? Can the money be used for alternative care, home care, housing?

In the current year, it will cost approximately \$121.5 million to provide services at Laguna Honda. Funding for Laguna Honda comes from the following sources: the federal government, the state government, the City and County, and private pay. Over 80% of the revenues are received from non-City sources as reimbursement for health services to patients. The majority of this comes from Medi-Cal which is funded by the state and federal governments. Approximately 97% of all residents at Laguna Honda are on Medi-Cal.

While Medi-Cal pays for the majority of skilled nursing care (\$87.8 million), it does not fully cover all the costs of care. As a result, the City and County contributes approximately \$22 million for Laguna Honda. In addition, private insurance pays funds \$6.3 million and Medicare provides approximately \$4.5 million. By federal law, the Medi-Cal funds cannot be used for alternative care, home care or housing. However, the City and County is actively pursuing a waiver of these rules which would allow funding of alternatives to institutionalization (See questions #47).

40. How much does the City and County currently spend on Laguna Honda?

The City and County currently spends \$21.6 million on Laguna Honda. The total budget for Laguna Honda is \$121.5 million in the current year. A portion of these dollars go to cover the cost of providing clinical care to residents and a small portion provides for facilities, maintenance and capital projects.

41. What will it cost to operate Laguna Honda after it is rebuilt and where will the money come from?

It is estimated that it will cost approximately \$30 million annually to operate the facility once it is rebuilt. The funds to operate the facility will come from the Medi-Cal program and the City and County. Over 97% of Laguna Honda's residents receive Medi-Cal which funds the costs of skilled nursing care nationally. Medi-Cal is paid for by the state and federal government. Currently Medi-Cal covers 73% of hospital's budget, funds from the City and County cover 18%, private pay insurance covers 5% and Medicare covers 4%.

Residents

42. What will happen to all of the current patients at Laguna Honda Hospital while the Hospital is being rebuilt?

All residents will remain in the old hospital as the new Laguna Honda is built. The goal is to not disrupt the current residents.

43. *I can support rebuilding Laguna Honda Hospital if I know that it is only for San Francisco residents. Can non-residents of San Francisco live in Laguna Honda Hospital? And if so, why?*

Laguna Honda is for San Francisco residents. Persons from other counties are not admitted into Laguna Honda.

Long-Term Care Globally

44. *I understand that there is another City effort looking at long-term care. How is the planning to rebuild Laguna Honda Hospital a part of this?*

The City and County created a Long Term Care Pilot Project Task Force to develop a long-term care system which emphasizes home and community-based services as alternatives to placing individuals in skilled nursing facilities. The Task Force recognizes the importance of skilled nursing facility care, such as Laguna Honda Hospital, as part of the continuum of long-term care. While the planning for rebuilding Laguna Honda is not part of the Task Force responsibility, it participates in the process and has several Task Force members who were appointed to the Laguna Honda Hospital Replacement Planning Committee.

45. *How is Laguna Honda part of the long-term care solution?*

Laguna Honda is part of a continuum of long-term care services to frail elderly and disabled adults. Long-term care is not confined to providing care in a hospital setting. Many elderly and disabled adults receive long-term care services while in their homes or in the community. Such services include senior nutrition services, transportation services, adult day health services, senior activity services, etc. Laguna Honda is critical since it provides skilled nursing care to a more acutely ill population that cannot live independently within the community. It provides a service that is not currently available in the City and County.

46. *I think that it's really important for the elderly and disabled to live at home in a community. What is the City doing to expand these types of options for families? Is the proposed replacement of Laguna Honda the least restrictive long-term care solution?*

The City's Long Term Care Pilot Project Task Force is developing a plan to expand home and community-based services for those needing long term care. We believe that it is important to care for elderly and disabled adults in settings that are non-institutional based and non-restrictive when clinically appropriate. Replacement of Laguna Honda is not in conflict with the City and County's efforts to allow for more expanded community services for the elderly and disabled. This is because Laguna Honda is designed to care for those who cannot live either independently in the community or with assistance.

City Approval Process

47. *Have the Board of Supervisors and Mayor supported rebuilding Laguna Honda Hospital? Are there any Supervisors against it?*

The Mayor and members of the Board support the mission of Laguna Honda Hospital. The proposal to replace Laguna Honda Hospital has been submitted to

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the Board of Supervisors for consideration. It is anticipated that the Board will hold hearings on this proposal in early June 1999.

Keeping Informed

48. How can I learn more about what's going on?

All meeting of the Laguna Honda Hospital Replacement Planning Committee and its sub-committees are open to the public. In addition, an Internet site has been created so that the public can keep informed. The Internet address is www.dph.sf.ca.us/LHHReplace and individuals can obtain the following:

- history of Laguna Honda Hospital,
- Laguna Honda Hospital options paper,
- Laguna Honda Hospital Replacement Planning Committee charge and membership,
- progress on the planning effort to date,
- upcoming meeting schedule,
- meeting minutes,
- committee analyses and recommendations and
- long-term care data.

The public can also electronic mail comments and thoughts to the San Francisco Department of Public Health at LHHReplace@dph.sf.ca.us. Finally, the public may call (415) 554-2631 for information.

49. Are there community forums that I can attend on this?

Public forums will be scheduled in the near future. The forums will be an opportunity for the public to express its comments and suggestions regarding the replacement of Laguna Honda. It will also be an opportunity for the public to hear the proposal to replace the Hospital.

50. Who is in charge of getting Laguna Honda Hospital built?

The Mayor has appointed City Attorney Louise Renne, J.D., to chair the Laguna Honda Hospital Replacement Planning Committee. Mitchell Katz, M.D., Director of Health, co-chair the Committee. The Laguna Honda Hospital Replacement Planning Committee is charged with making recommendations on the rebuilding of Laguna Honda. Recommendations will be made in the areas of finance, program design and technical building issues. The Committee's recommendations will be considered by the San Francisco Health Commission, the San Francisco Board of Supervisors and the Mayor. The Committee's recommendations will be heard before the Health Commission on April 20, 1999 at 4:00 pm at 101 Grove Street (at Polk), Room 300.

